Introduction

This book is about the impact of immigration on wealth stratification in America and the wealth assimilation of immigrants. The term immigrant refers to anyone who has crossed the U.S. border and settled in the United States for a substantial period, regardless of legal status. The era that followed the 1965 immigration law was characterized by a spike in immigration, mostly from Latin America and Asia. The volume, continuity, overwhelming racial and ethnic diversity, and high proportion of low skilled individuals have raised renewed concerns about the adaptability and assimilation of immigrants. Less attention, however, is paid to the impact of immigration on American society. My central argument is that to understand assimilation we must consider the impact immigration has on society and that to make a valid assessment of this impact we must consider assimilation.

Why would immigration affect the host society? If immigrants were similar to the native-born population in all aspects—such as race, education level, skill composition, and culture and lifestyle—and if resources and opportunities were abundant, the impact of immigration would be minimal. Contemporary immigration to the United States, however, does not follow this pattern. Scholars have emphasized how contemporary immigration has transformed the American population. It has been noted, for example, that immigration counts for 60 percent of U.S. population growth; one in nine are foreign born and one in five children have a foreign-born parent; about half of Hispanics and Asians are foreign born; many cities now have predominantly minority populations; and whites are projected to account for less than half of the population within a few decades. Such a large-scale, ongoing population change can profoundly interfere with the social structure and social processes of a society, most notably in the stratification system. Stratification distributes a country’s population across the spectrum of well-being. Scholarly attention to immigrants does not for the most part reference the larger picture of immigration-induced social change. This book is devoted to bridging the gap.
Why is assimilation so important? Beyond humanitarian and nationalist concerns, the future of the United States depends, to a great degree, on the assimilation of generations of immigrants. The classical literature on assimilation was established in the mid-1940s during a period of historically low immigration, which had followed a peak around the turn of the century. Without a large immigrant generation, studies focused on the assimilation of second and higher generations. Recent literature has focused on the changing demographics of contemporary immigration and continued to study second and higher generations. Both classical and contemporary assimilation literatures thus deemphasize the assimilation of the immigrant generation. The assimilation of higher generations, however, hinges on it. The heredity of social class and the intergenerational transfer of resources and of status all point to the linkages between generations. Thus, to understand the assimilation of second and higher generations, one must first understand the assimilation of the immigrant generation. This book is about the assimilation of the first generation.

Wealth is a promising vehicle for answering this book’s questions about the impact of immigration on American society and about assimilation under immigration-induced social change. Unlike wages, income, employment, and occupation, wealth is a multifaceted concept that absorbs the consequences of many economic activities. As a concept, it encompasses assets and debts. In turn, assets and debts manifest earning, saving, consuming, and portfolio allocating behaviors. These embody cultural values and lifestyles that govern people’s expectations for their children, their plans for asset building and future consumption, and their preparations for old age. The balance between assets (homes, stocks, mutual funds, and retirement accounts) and debts (mortgages and credit card debts) constitute wealth. In addition, wealth is accumulated over time. The level of wealth at any given time reflects all previous behaviors and cultural practices. Thus, by providing people with strong economic security and creating future opportunities, sufficient wealth acts as a marker of middle-class status.

These unique features of wealth make the wealth stratification system an ideal tool for studying the impact of immigration on American society. The black-white wealth disparity is much more severe than the black-white income disparity. Less is known about the wealth of Hispanics and Asians. Human capital differences and behavioral differences in saving and consumption can differ among racial groups. Given the racial and ethnic diversity, the high proportion of the low-skilled, and the cultural diversity of post–1965 immigration, wealth stratification is more promising than income stratification as a way to illustrate the impact of immigration.

The unique features of wealth also make attainment of it an ideal tool
for studying assimilation. Because its dimensions are multifaceted, wealth measures socioeconomic assimilation better than income. Given any income level, differences between natives and immigrants in consumption behavior and expectation for children will result in different levels of wealth. Thus, evidence of assimilation will be missed if only income is used. Moreover, because it is cumulative, wealth captures the unfolding stages of the assimilation process without losing sight of continuity. Sufficient wealth holding determines the middle-class status toward which immigrants assimilate, so wealth can accurately pinpoint the distance from middle-class status and the time such status is achieved.

In one common framework, this book unites insights from immigrant selection, immigrant assimilation, social stratification, and wealth accumulation theories to assess and understand immigration’s impact on wealth stratification and immigrants’ wealth assimilation. To address the impact of immigration, the conceptual framework introduces nativity as a factor into the racial-ethnic stratification system and suggests a rethinking of multifactor stratification systems generally. It also proposes that distinguishing between primary and secondary stratification factors is essential. Rationales are provided as to why race is primary and nativity is secondary in a two-tiered system. Under this system, race stratifies wealth. Within racial groups, nativity stratifies wealth. Long-term consequences of this two-tiered system are the weakening of the racial hierarchy, the transcendence of color lines, and the assimilation of certain immigrant groups.

This two-tiered approach hinges on the nativity differentiation process, which is developed via addressing two challenges from the literature. In the post–1965 immigration era, some immigrant nationality groups have surpassed their native-born ethnic counterparts despite the fact that they have not received inheritances. This fact challenges existing wisdom about the pivotal role of intergenerational transfers in the black-white wealth gap. Why does the lack of inheritances severely damage African Americans’ prospects of wealth, but does not seem to prevent all immigrant racial-ethnic minority groups from achieving upward mobility? This book uses characteristics of the sending country and of the binational migration system to understand the self-selection of immigrants to take on the first challenge.

Self-selection by immigrants is only one part of the story of nativity’s differentiation process. By virtue of migration, immigrants are not burdened by the intergenerational consequences of slavery, Jim Crow laws, redlining, and overt personal and institutional discrimination, all of which still resonate for natives. Consequently, immigrants handle racial relations differently and employers treat immigrants differently. In addition, immigrant settlement patterns have been changing the landscape of
racial residential segregation while simultaneously exposing immigrants to racial segregation, a spatial form of discrimination. The lack of resources and opportunities available in minority neighborhoods affect everyone living there.

The post–1965 immigration era poses a second challenge to immigration research: a rising trend of transnational activities, a phenomenon in which immigrants work in the United States but invest in their home country. What makes the geographic separation between labor market activities and credit-capital market activities emerge and deepen? This book develops a typology of wealth regime to consider the likelihood of cross-border investment in various home countries. The typology helps correct the underestimation of immigrants’ wealth attainment when cross-border activities are increasing but the related data are not available.

The empirical heart of this book compares immigrant nationality groups with their native-born racial-ethnic counterparts and with native whites. Comparisons also take into account other important socioeconomic and demographic factors of wealth, including human capital, marital status and number of children, life cycle stage, and year. The observed nativity-nationality patterns of net worth, components of assets, and conditions of liabilities are described at the national as well as the within racial-ethnic group level. The corresponding analytic patterns are revealed in multivariate analyses that take into account household factors and contextual factors.

**Immigration, Race-Ethnicity, and Wealth**

Immigration has an increasingly important impact on the American population. The U.S. Census Bureau (2003) estimates the nation’s foreign-born population at 32.5 million, or 11.5 percent of the total. Immigration has become the most important factor in the growth of the American population. Newcomers and children born to immigrant parents constitute about 60 percent of total growth (U.S. Census Bureau 2003). Moreover, the ethnic and racial composition of immigrants has profoundly changed. Once primarily from Europe, immigrants today arrive from developing countries in Asia (26 percent) and Latin America (52 percent). From 1990 to 2000, the foreign-born Hispanic population increased by 58 percent and the foreign-born Asian population by 52 percent, compared with an increase of only 9 percent in the entire native population.

Immigration changes the landscape of racial residential segregation. On the one hand, the rapid growth of Hispanic and Asian subpopulations increases racial-ethnic diversity, which decreases black-white racial residential segregation (Frey and Farley 1996; Krivo and Kaufman 1999; Iceland 2004). On the other hand, the expansion of the Hispanic and
Asian subpopulations places more immigrant minorities in racially segregated communities and subjects them to the potentially negative consequences of racial segregation.

The possible economic impact of immigration up to the mid 1990s was systematically studied by the National Research Council of the National Academy of Sciences (Smith and Edmonston 1997). According to James Smith and Barry Edmonston’s microeconomic model, if low-skilled immigrants are substitutes for low-skilled native and earlier immigrant workers, an influx of low-skilled immigrants will increase the supply of low-skilled labor and drive down wages. Because newcomers are usually willing to take jobs with below-market wages, they may displace low-skilled native-born workers. However, if immigrants take jobs that low-skilled native and earlier immigrant workers reject, immigration will have no impact on the labor market.

Many Americans are concerned about immigration issues. Over the past four decades, the Gallup poll has asked respondents the same question: whether they think that in the United States “immigration should be decreased.” On average, 50 percent of the respondents have said that immigration should be kept at its present level or increased (Gallup 2007). This percentage has fluctuated with the economic cycle. At the same time, the share of respondents who thought that immigration should be decreased has remained substantial and stable at about 30 percent. One concern of those who wish to limit immigration is that immigrants and natives will lack a unified sociocultural identity. Ultimately, this worry is linked to the success or failure of assimilation for immigrants and their successive generations.

The last great immigration peaked around the turn of the twentieth century and then ebbed. Assimilation was assessed using the outcomes of second or higher generations. Now, with new immigrants arriving every year, the successful adaptation and assimilation of the first generation eases public concerns, whereas slow adaptation reinforces them. Public concern provides a strong motive for immigration policy changes. Studying immigrants’ wealth provides a new and reliable benchmark for assessing the adaptation and assimilation of the first immigrant generation rather than subsequent ones. Because middle-class households have similar living standards, immigrants’ attainment of middle-class wealth may indicate that they have moved closer to a unified sociocultural identity.

Immigrants’ wealth rather than income may better capture motivation for upward mobility and economic attainment. First, economic motives underscore why many immigrants come to the United States. Immigration is a life-changing experience with high real costs but also high expected benefits, assuming that the immigrant also expects to make great efforts. Risk and uncertainty factors select individuals whose moti-
vation for upward mobility and willingness to work hard is especially
strong (Jasso, Rosenzweig, and Smith 2000). Thus, income-generating
behavior among immigrants can be different from that of natives. Immigrants may be willing to work multiple shifts, combine formal and informal jobs, and be self-employed (including unpaid work by children and elderly family members). While immigrants are in the process of adaptation, their consumption behaviors may differ from natives. In the early stages of wealth accumulation in the United States, immigrants from developing countries may tailor their consumption to their home country’s lower living standards. Lower consumption increases savings rates. Motivation to help their children achieve social mobility and optimism about their children’s achievements (Portes and Rumbaut 2006; Kao and Tienda 1995) may promote savings earmarked for college education and other such investments. Among those with the same level of income, differences in motivation, consumption, and saving may contribute to immigrants having a higher level of wealth than natives do.

Income alone is therefore not enough to gauge immigrants’ economic attainment and structural assimilation. Conclusions based only on income can be tentative or even misleading. Wealth, however, provides a means to assess both and thus to make predications on the assimilation of future generations.

The Approach

This book’s approach to wealth in the era of immigration applies stratification, immigration, assimilation and wealth theories. Chapter 2 formulates the structure of multifactor stratification systems with three conceptual scenarios and develops arguments that support a two-tier dominance-differentiation system. To address a paradox in the role of inheritance in blacks versus immigrants’ upward mobility, issues about the self-selection of immigrants are highlighted. To address a theoretical deficiency in explaining immigrants’ transnational, non–labor market activities, this book addresses the importance of the characteristics of sending countries and of the economic, financial, and political structures of sending and destination countries. It also develops the typology of wealth regime that illuminates why some immigrants invest in their homeland, helping correct bias in observed patterns of wealth holding based on survey data. This model has implications for empirical investigations into how immigration helps transform the U.S. stratification system and extends assimilation theory to wealth attainment to capture socioeconomic assimilation and cultural assimilation.

In a two-tiered stratification system, the primary factor of race-ethnicity (color lines) dominates the secondary factor of nativity-nationality of immigrants (country lines) which further differentiates within racial-
groups. Within the social stratification perspective, institutionalized rules, laws, and practices are powerful social forces and significant causes of wealth stratification. Color lines have long segregated ethnic-racial minorities and impeded assimilation. Multiple forms of discrimination against ethnic and racial minorities—from the dual labor market and ethnic queues in the job market to dual housing and lending markets—contribute to persistent wealth inequality. Growing homeownership and stock and mutual fund ownership across the population can actually be a source of rising wealth inequality because the growth amplifies discrimination in housing and financial markets. Wealth inequality is further exacerbated by intergenerational transfers of wealth, which drastically differentiate the initial wealth levels of successive generations. In the patterns of these institutional effects, history matters. Once established, racial-ethnic stratification tends to be long lasting. Structural factors give rise to the rationale for race-ethnicity as the primary driving force of social stratification of wealth.

The stratification literature generally has not considered nativity and immigrant characteristics. Nativity and immigrant characteristics, however, further differentiate members within racial-ethnic groups and are secondary stratification factors. Within racial-ethnic groups, three mechanisms lead to stratification by nativity and immigrant characteristics. First, although all contemporary institutional settings and mechanisms apply to immigrant racial-ethnic minorities, these immigrants do not bear the burdens of the intergenerational transmission of historical discrimination.

Second, specific institutional rules and practices particularly address naturalized immigrants, nonnaturalized legal immigrants, and illegal immigrants. As newcomers, immigrants as a whole may be blamed for economic problems such as recessions and for low incomes and unemployment among native-born unskilled workers (Smith and Edmonston 1997; Borjas 1999). In 2002, the estimated number of illegal immigrants was more than 10 million, about one third of the foreign-born population. Illegal status imposes institutional barriers to important opportunities. Undocumented immigrants are denied permission to work legally and thus work in the shadow market. Because they are not protected by labor laws, they are subject to poor working conditions and earning less than the minimum wage. Their jobs do not offer medical insurance, retirement plans, or any claims on the welfare state, such as unemployment compensation, the earned income tax credit, or social security. Without a valid social security number and driver’s license, illegal immigrants have little access to property rights because these documents are required to secure the title of a car, the deed of a house, a bank account, or a small business license. Legal immigrants do not of course face these institutional barriers. Immigrants can also be classified by naturalization
status. About half of all foreign-born residents are naturalized. Naturalization transforms immigrants from ethnic aliens to American citizens. Naturalized immigrants enjoy full constitutional rights. Nonnaturalized immigrants do not.

Third, immigrant-native differences in language, cultural practices, work ethic, and attitudes toward race relations serve to differentiate subgroups. Within a racial-ethnic group, immigrants may be subject to additional discrimination because of their accents and foreign cultural and religious practices (Portes and Rumbaut 2006). On the other hand, employers may prefer to hire foreign-born rather than native-born workers because employers believe that immigrants have a stronger work ethic and are less likely to make race relations a work issue (Waldinger 1996; Waters 1999).

This dominance-differentiation system of stratification posits that race-ethnicity is the primary factor governing the entire population. At the same time, the dominance-differentiation system addresses the significant role of immigrant status, which is nested within racial-ethnic stratification. Institutional forces behind differentiation within racial-ethnic groups have a profound impact on racial-ethnic inequality. It is possible that greater within-group differences will reduce the saliency and degree of differences between racial ethnic groups, thereby reducing racial-ethnic inequality.

Advances in institutional analysis incorporate the theoretical traditions of both structure and agency. In this study, the structural focus is on primary racial-ethnic stratification and secondary nativity-nationality stratification, and the agency focus is on economic theories of wealth accumulation. Individuals act according to their cultural beliefs, but their rational decisions about generating income, consumption, saving, and portfolio allocation are bounded by institutional constraints and opportunities. In the face of discrimination, households may respond with different strategies, which then lead to different wealth outcomes. In this book, neither the role of households nor the role of institutions is ignored. The agency approach allows a full examination of behavioral differences between immigrants and natives, whereas the structural approach explains the limits of the effects of behavioral differences on wealth accumulation.

Education is another significant factor in the distribution of wealth. A higher level of education provides opportunities for a well-paying, stable job, an occupation with a mobility ladder, and thus high and steady streams of income over the life cycle (Becker 1964). Since 1980, education has been increasingly important in income stratification. Wage rates have been on the rise for college graduates, but have stagnated for high school graduates and have declined for high school dropouts (Bernhardt et al. 2001). Those with different levels of education also have different
access to financial institutions, affecting their ability to accumulate wealth.

Other factors influencing wealth accumulation include marital status and the presence of children. Marriage not only opens the possibility for two household incomes but also enhances incentives for and access to asset building, particularly when children are present (Smith 1995b). In contrast, female-headed households do not have a father’s income and thus earn less due to gender discrimination, factors that constrain wealth accumulation (Hao 1996). The delay of marriage has increased single-person households, whereas delayed nest-leaving and adult children returning to their parents’ homes have decreased the number of unmarried households (Goldscheider and Waite 1991; Goldscheider and Da Vanzo 1989). Households headed by a married couple have higher amounts and more sources of income than households that are not.

Immigrants’ assimilation can be studied through the effects of structural factors and individual behaviors on wealth. Middle-class status is the norm for non-Hispanic whites and Asians. Structural factors facilitate assimilation of immigrants belonging to these groups to middle-class status relatively easily. However, working-class status is the norm for other racial-ethnic groups, such as non-Hispanic blacks and Hispanics. Immigrants belonging to these groups have a longer way to go to reach middle-class status. Where a racial group falls within the overall distribution of wealth is one of this book’s guiding principles in investigating immigrants’ assimilation.

This book’s theoretical framework leads to a better understanding of how immigration may transform the U.S. wealth stratification system and how some immigrants achieve upward mobility. Immigrants can differ from natives in variations in economic circumstances, cultural backgrounds, and migration and adaptation experiences. Intergenerational transfers, human capital levels, and consumption, saving and portfolio allocation behaviors vary between immigrants and natives. When these factors play into the family life cycle of wealth accumulation, nativity differences in age structure, marriage, fertility, and other demographic characteristics also become important considerations. Moreover, labor, housing, and lending market discrimination and residential segregation resulting from the U.S. racial-ethnic hierarchy are major structural constraints on wealth generally. The effects of these micro and macro factors may differ by nativity and immigrant nationality because immigrants are treated differently by the government and the labor market and may respond differently to these treatments.

To describe the wealth stratification by race and nativity and test hypotheses derived from the theoretical framework, this book analyzes data from a national survey—the Survey of Income and Program Participation (SIPP)—conducted from 1984 to 2003. The design incorporates a
continuous series of twelve national panels with sample sizes ranging from approximately 11,000 to 35,000 interviewed households for each panel. This book uses data from core questions on labor force participation and income and uses data from three topical modules: migration history, assets and liabilities, and education history. The assets and liabilities module is included in ten of the twelve SIPP panels, which together provide eighteen cross-sections of data for fourteen years (some panel years overlap). The analytic sample for the book varies for different analyses. Chapters 3, 7, and 8 use eighteen cross-sections covering 1984 to 2003 and chapters 4 through 6 use seven cross-sections covering 1996 to 2003. The total study sample is 216,246 (see details in appendix).

Organization of the Book

Chapter 3 depicts an overall portrait of race-nativity patterns of wealth using data on 216,246 households from 1984 to 2003, a high tide of immigration. The chapter extends the concept of asset poverty (Haveman and Wolff 2004; Shapiro 2004) to a five-category wealth holding status that identifies sufficient and insufficient statuses for those above the asset poverty line and asset poor, net-debtor and paycheck-to-paycheck statuses for those under the asset poverty line. This refined categorization facilitates the analysis of upward versus downward mobility. The chapter also examines the group-specific percentile distribution of net worth, assets and debts. Life cycle patterns for different racial-ethnic groups and different immigrant arrival cohorts are examined. The eighteen pooled cross-sections of the SIPP data over the twenty years from 1984 to 2003 make it possible to identify the effects of age, period, birth cohort, and arrival cohort.

To reveal nativity differentiation, examining patterns within racial-ethnic groups is carried out in chapters 4 through 6. In these chapters, all comparisons take native non-Hispanic whites as the basic benchmark, using native whites as a proxy for the core of the American mainstream. Within each racial ethnic group, the native born is a benchmark for that particular group. Immigrants are grouped by country of origin in order to capture immigrants’ self-selection and cultural roots. To provide the economic, political, social, and education condition of the origin country and the history of the binational migration system between the origin country and the United States, each chapter provides a brief sketch of the sending countries. Recent data from the SIPP, which cover seven years from 1996 to 1999 and 2001 to 2003, identify more countries of birth, allowing the analyses of more countries of origin in chapters 4 through 6.

Chapter 4 studies immigrants from six Latin American sending countries: Colombia, El Salvador, Guatemala, Mexico, Cuba, and the Dominican Republic. The sample sizes range from 4,362 for Mexican immigrants
to 177 for Guatemalan. Chapter 5 examines immigrants from seven Asian countries and regions: Hong Kong and Taiwan, China, the Philippines, Japan, India, Korea, and Vietnam. The largest group is Filipino immigrants (659) and the smallest group is Japanese (168). Chapter 6 addresses black immigrants from Haiti (204), Jamaica (247), and sub-Saharan Africa (184). These chapters provide detailed analyses of wealth holding status; the percentile distribution of net worth, assets, and debts; portfolio composition; and single components of assets and debts, including homeownership, home equity, number and conditions of mortgages, liquid financial assets, retirement accounts, life insurance, credit card debts, and business equity.

In chapters 7 and 8, multivariate analyses are performed based on the full sample of more than 200,000 households. Wealth attainment has two aspects, the probability of having positive net worth and the amount of positive net worth, and is defined as the total value of assets being greater than the total value of debts. Chapter 7 tests whether race-ethnicity is a primary factor and nativity a secondary factor of wealth stratification. Five empirical models are estimated, progressing from a pooled analysis of the entire population to separate analyses for each racial-ethnic group. Chapter 7 also examines the effects of household characteristics, which capture behavioral differences. For example, marriage and the presence of children capture saving motivations, age at arrival captures the number of productive adult years in the United States, and naturalization captures an assimilation milestone.

Chapter 8 turns to the local context in which households accumulate wealth. Black-white residential segregation reflects both contemporary and historical institutional discrimination, which benefits native whites but harms African Americans and other native minority groups. The chapter examines how black-white segregation affects racial minority immigrants, whether Hispanic-white segregation produces harmful consequences, and whether a large presence of immigrants reduces opportunities for particular groups. Other contextual factors besides racial residential segregation facilitate or constrain households’ wealth attainment. Local unemployment rates largely define the economic environment in which households accumulate wealth. Using the metropolitan subsample (134,845) of the whole sample, the analysis merges racial residential segregation measures and immigrant share of the metropolitan population with the metropolitan identification of survey individual’s residence. The chapter offers new findings regarding the spillover effects of racial residential segregation.

Chapter 9 concludes the book by returning to the central questions about immigration’s impact on American society and immigrants’ assimilation based on wealth analyses. Evidence from the analyses of wealth conducted in the book supports the proposed dominance-differ-
entiation stratification system. In addition, wealth, a better measure of assimilation than conventional measures such as income, facilitates the evaluation of contemporary immigrants’ assimilation under the dominance-differentiation stratification system.

This volume provides useful information, a conceptual framework, and a variety of analytical methods for a wide range of readers, including those studying immigration, social stratification, social inequality, or racial ethnic relations; policy makers concerned with issues of immigration; and anyone else with interests or concerns regarding immigration.