Chapter 1

Introduction

THE DEBATE over immigration has generated much more political heat than light. That should not be surprising, given the sensitive issues and deep commitments at play. Even though a few advocates are very sure of their clear-cut positions, most Americans are in a quandary over immigration because they see it as a complex and conflicting subject. On the one hand, most citizens revere the nation's immigrant roots—after all, most of us are descendants of immigrants. Yet, on the other hand, most citizens also value social order and think that access to our nation should not be granted without limit. In addition, both businesses and consumers have economic reasons to welcome hardworking cheap labor, but at the same time many citizens fear a growing poor population that is dependent on taxpayer-funded services.

Our greatest worry about immigration is what it means for the future of the nation and our local communities. Will admitting so many immigrant newcomers put us in danger of losing our country as we know it? How rapidly will new immigrants fit into our culture and economy? This is a key question for our future, especially as it concerns Latinos, most of whom are extremely disadvantaged when they first arrive. Most pointedly, many of us worry about whether the pace of immigrant incorporation into our society

can keep up with the surging numbers of new arrivals. Could the nation be swamped by a rising tide that it cannot absorb? And how does this all square with our other problems like a rapidly aging population and our mounting budget deficits?

In the face of accelerating immigration, it is understandable that many Americans would express despair for the future, which can look overwhelming. At the same time, other voices claim that all will be fine and advise citizens not to worry. Some immigrant advocates, more aggressively, accuse the worriers of being selfish and even racist for expressing such concerns about the future.

What is a citizen to do? Surely anyone should be allowed to voice some fear about the impact of immigration on the future of the country he or she loves without categorically being labeled a racist. And certainly there must be some grounds for hope about that future—but what are those grounds, and how much can they be believed? What makes this difficult to know is that immigration trends have been changing rapidly in recent decades, and some effects are much delayed from the past. Lacking good information, we all have a tendency to exaggerate our perceptions and portray the extremes. In both public and private discourse, there seems to be no in-between. Indeed, the observant comedian Jerry Seinfeld has a routine that highlights how simplistically our many judgments of the world are divided into "it sucks, it's great!" Some of our exaggerated views are based on old information blown up into a perceived future of despair. But other information can be newly crafted into a future of greater promise and hope. In this book, I treat both versions of the future seriously, detailing them for public consideration in the hope that, armed with better information, citizens can decide more thoughtfully which view better expresses their own stand on the immigration issue.

This book is for the citizen-voters and taxpayers of the United States, who have a right to demand usable information that provides a realistic guide to the future of their country. It is crucial that America have an enlightened citizenry because—let's be direct—we are the ones who hold the power to remake our society. Not only are we the voters who are the ultimate decision-makers, but we are also the taxpayers who will be asked to fund any necessary improvements. Only citizens can bring about a better future, but there is some strategic information that must be made part of the solutions we put in place.

The citizens' current knowledge may not be sufficient for the wise leader-

ship they desire, but it is an essential starting point. Much of what citizens know is popular knowledge, drawn from impressions, expectations, local stories, and political claims. Even if much of this knowledge is received wisdom from the past, and thus inherently outdated by new trends, it remains a relevant benchmark. For enhanced credibility among the citizenry, my responsibility is to show how the new knowledge shared in this book relates to existing citizen beliefs.

The future has suffered particular neglect at the hands of scholars because it lies outside their data, which are necessarily historical. Yet the future is what citizens care most about, and for lack of much expert assistance they have merely filled in the blanks to the best of their colorful imaginations. In chapters to follow I show how existing and new forecasts of a few key details can be interwoven with other facts to create much more useful descriptions of the future. Some clear alternatives can be laid out for citizen consideration. Within this future-oriented framework, my aim is to share my evidence and that of other experts in an open fashion that can aid citizen decisionmaking. The ultimate goal is to bridge between the popular and expert bodies of knowledge about immigration and immigrant advancement so that we might increase the wisdom of both the public and the experts.

More than just immigrants are changing in the future, and a broader context is needed for a realistic assessment. Most surprising to the public could be new knowledge about the coming partnership of immigrants and baby boomers. The progress of the giant baby boom generation through its life cycle has long held our interest. Although it is not surprising that much of the future is about that aging population, how many have yet considered that the boomers' future could be intimately tied to the immigrant population? Some basic demographic insights provide a startling picture of new connections unfolding in the future. In short, when the baby boomers retire, who will replace them? Who will pay the taxes to support their much deserved retirement benefits? And who will pay them a good price for their homes? New knowledge of these coming events should command all our attention.

Viewing the Future Through the California Window

For those seeking foresight, it helps to explore early prototypes of the coming future. Providing such a window on the future of an American nation composed of immigrants and the U.S.-born is the state of California, which repre-

sents the vanguard of demographic changes in America and, in some respects, the world. The takeoff of immigration after 1965 was concentrated at first in California, where the foreign-born share of the population leaped from 8.8 percent to 21.7 percent between 1970 and 1990 before beginning to grow more slowly. In comparison, the nation's foreign-born share remained at 7.9 percent in 1990, only accelerating thereafter. Much can be gained by examining how California's immigrants fared in this early period and the improvement in their circumstances after they had been settled there for two decades. In turn, this analysis of the dynamics of change can be used to project immigrant circumstances forward to 2010 and 2030 and shed new light on the implications for the nation's future. In other words, through the window of California we can gain an early look into the future and see the changes experienced by both long-settled immigrants and their fellow citizens.

Today in California the central questions in the immigration issue have shifted. Back in 1990 immigration was on the upsurge, and California was home to an estimated 45 percent of all unauthorized immigrants in the nation. (Today it is estimated that 24 percent or fewer live in California.) The presence of this large unauthorized immigrant population led California voters in 1994 to pass Proposition 187, which would have restricted access to public services by unauthorized immigrants if it had not been overturned in the courts. Today, however, the debate in California is less about blocking illegal immigration and controlling the border; instead, it has moved on to a new question: what is to be done about the challenges posed by the state's increasingly large population of settled immigrants? Is California doomed to rising poverty, a deskilling of its workforce, and social decline? The balance of evidence is now tipping in a more favorable direction, although the fate of the state still teeters. Slowly and grudgingly, the state's citizens and leaders are recognizing that this new population will play a key role in shaping the quality of the future of all Californians. Indeed, California has arrived at a newer and unproven stage in its incorporation of immigrants. How the state weathers its new challenges is an early test of the nation's eventual social and economic success in the twenty-first century.

Other states and even many nations are moving along similar paths toward an increasingly diverse ethnic mix and a growing immigrant population. For some states this is a new phenomenon, and they have much to learn from viewing the struggle of the conflicted citizenry in California. An earlier generation—predominantly white and now aging—is being replaced by a new generation comprising immigrants and their children, who are a mix of U.S.-born young of all ethnicities. A destabilizing factor in this transformation is the substantial electoral gap that has opened up as demographic change races ahead of political participation. The white non-Hispanic population has fallen below 45 percent of the state's residents (and is nearing 30 percent of public school children) but retains a two-thirds majority at the polls. A projection offered here suggests that this electoral dominance by a minority will continue for many years, at least through 2024 or 2031. In the meantime, California voters are making many decisions that will determine the quality of life and apportion economic burdens in a future that will be inherited largely by members of other ethnic groups who are not white.

Throughout the developed world, especially in Europe and North America but also in Australia and East Asia, the unfolding of a historic demographic transition is bringing many nations to a similar crossroads. This transition features surging international migration that injects greater cultural diversity into societies with falling birthrates, shrinking pools of young workers, and the growing burden of an aging population. Europe may lead the world in falling birthrates and aging populations, but the United States has its own urgent problems looming from the retirement of the giant baby boom generation. Meanwhile, California leads all other states with its 27 percent foreign-born share in the population, a share that is higher than in any nation in the world of comparable or larger size. The history of California and the United States is replete with the friction of racial and ethnic strife, but through it all, Americans have demonstrated a remarkable ability to incorporate immigrants of diverse origins. How many other nations can boast of homeownership being achieved by more than 50 percent of their poorest immigrants after just twenty years of residence?² Yet all is not well in California, and the state's unfinished transformation holds crucial lessons about what works in incorporating immigrants and what does not, and about how other states and nations can negotiate their own path through the difficult transitions brought about by major immigrant movements.

How Much Should We Welcome Immigrants?

Many residents of California and the United States have mixed feelings about whether immigrants are a benefit or a burden, and when asked to make a

choice, they are almost evenly divided. A 2005 Gallup poll found that 44 percent of U.S. adults feel that immigrants cost taxpayers too much by using government services rather than eventually becoming productive citizens and paying their fair share of taxes.³ A more detailed survey in 2004 by the Public Policy Institute of California found that a substantial share of California's majority-white voters feel that immigrants are more of a burden than a benefit, with opinions varying by political leaning: 61.9 percent of conservatives share this sentiment, as do 45.3 percent of moderates, but only 28.5 percent of liberals.⁴

Complex values and assumptions are wrapped up in this assessment of burden and benefit. At root lie some basic questions: Do we owe immigrants anything? Do they owe us? What is the price of their inclusion? The answers reached in this book to these rather blunt questions are multifaceted, but they can be reduced to the following. The nation needs immigrants to fill our needs, not simply in today's world, where most citizens and experts have looked for their answers, but especially in tomorrow's. They are an integral part of our demographic transition because the trend of lower fertility is pulling down our labor force growth at the same time that we are about to face a tidal wave of increase in our retired senior population. Supporting our retirees is widely expected to place tremendous strain on the budgets of federal and state governments, and larger contributions will be required from an invigorated new corps of middle-class taxpayers, many of whom today are still only schoolchildren.

The urgent need to invest in this next generation has not yet been recognized by a majority of today's voters and taxpayers from the old majority group, even though there are grave doubts about the preparedness of the rising new generation, which is substantially Latino, to assume the new duties. Questions regarding this demographic challenge are being raised nationwide, especially in states like California and Texas that have prominent and growing Latino populations.⁵ Most recently, the National Research Council (NRC) completed a major study, "Hispanics and the American Future," which reached the following conclusion:

That Hispanics are coming of age in an aging society has important implications for the nation's future. As the youngest segment of the U.S. population, second- and third-generation Hispanics could play a vital role in shouldering the burden of a graying society. Yet realizing this potential productivity boost

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will depend on whether the necessary educational investments are made. . . . An emphasis in this report, then, is on the potential costs of underinvesting in the young Hispanic population.⁶

Here is the drawback to the emphasis of the National Research Council report: as much as we may want, in the future, to have better-prepared workers and taxpayers who can support the growing costs of an aging society, the expanded educational preparation needed for the future rests on tax consequences today. The rub is that reducing tax burdens has been a major concern of many voters, and it is a central issue linking voters to the future. Whether cutting taxes is an act of hope or despair is a judgment for each voter to make. However, in the past decade tax reductions have been accompanied by record budget deficits that were covered by new government borrowing. Such an approach simply transfers the tax burden to the next generation of workers (pencil in "despair"). New projections by the U.S. Government Accountability Office (GAO) foresee a quadrupling of annual debt payments, first doubling from 9.3 percent of total federal revenue in 2006 to 18.8 percent by 2020, and then doubling again to 39.2 percent in 2030. The key problem is that public expenditures are bound to soar when Social Security and Medicare outlays skyrocket following the retirement of the giant baby boom generation. To cover the debt and the growing costs of entitlements, the next generation, according to academic studies of generational accounting, will see a roughly 80 percent increase in lifetime tax payments. Despite the potential for despair in these budget figures, we can *hope* that the next generation of taxpayers will be prepared to accept this burden. In fact, the great majority of the next generation wants to achieve a level of earning that would make this possible, and the rest of the nation needs to help them succeed (pencil in "hope").

Of even keener personal interest to most voters is the security of their house values. A new threat to be recognized is that California and the nation face the threat of a generational housing bubble that could have deeper and more prolonged impacts than the "little" price bubble currently faced in many areas (more despair). For many older citizens, a major portion of their assets is wrapped up in home values that have doubled or even tripled in just the past decade. When the baby boomers decide to sell their overpriced houses, prices may be forced down to a lower level to bring them within the

reach of the less-advantaged next generation. This great transfer of real estate assets will join the two generations in mutual dependency, matching older sellers with younger buyers, many of whom are likely to be of a different ethnicity. Fortunately, these exchanges will not begin for a decade or more, and so there might be just enough time to grow the next generation of home buyers (hope again).

Rebuilding the Social Contract of a Divided Society

Immigration is not the only source of division in our fractious society. Yet this issue changes the terms of debate used to sustain more familiar divisions, and it may force us out of old political ruts. Through the lens of immigration we can get a better look at ourselves as Americans, at our concept of citizenship, and at our commonality and interdependency.

As mentioned earlier, the demographic majority has diverged from the voting majority, and the challenge to democracy is the projected electoral dominance of this minority for many years, at least through 2024 or 2031. The imbalance between voting and population in California would take on tragic proportions if the outgoing group, today's voting majority, reacted at the polls out of despair against unwanted changes, instead of voting out of hope for the incoming group, a population that is crucial to the future. However, why should we assume that the outgoing majority would vote for future-oriented investments—such as education and infrastructure—that would require higher taxes today if they did not benefit personally from these investments?

What is needed to mediate these relations is an agreed-upon *social contract* that mobilizes divergent self-interests to achieve a common good—that is, a workable consensus across generations. Of course, it is a highly contentious issue whether the social contract should be in the spirit of the New Deal, offering social support for those in need, or along the lines of former congressman Newt Gingrich's "Contract with America," which expressed a middle-class vision of self-sufficiency and limited government. Of the many options, there is yet another basis for the social contract, one that seems most relevant for both the current and coming eras in America.

It is time to rejuvenate the *intergenerational* social contract as a primary guide to solving our current problems. The new pressures of an aging society, the need to enlist support from an ethnically different younger generation,

and the importance of generational investment all recommend this version of the social contract. The intergenerational social contract may also help us mend a society polarized along party lines, cultural beliefs, race, and immigrant roots. Seemingly deep-seated and insurmountable, these divisions may only intensify if Americans continue battling along the same lines of entrenched opposition. A wholly different tack is needed if we are to build the necessary foundation for an enduring intergenerational consensus. A new emphasis on intergenerational bonds could have strategic importance because those bonds span not only age groups but also racial-ethnic groups, as well as the native-born and immigrant populations that are concentrated in the different generations. Perhaps most important, intergenerational bonds call attention to the crucial but neglected linkages between present and future, and between individual self-interest and the public good.

The key step in breaking the current impasse is to see ourselves in a longer time perspective. The time frame adopted for our purposes covers 1970 to 2030, roughly the lifetime of the baby boom generation from its youth to its retirement. Looking at immigration and aging issues within this length of time, we rediscover the interdependence of the nation's residents, because over the course of sixty years everyone changes roles. Today's workers, taxpayers, and voters will become tomorrow's retirees, who will be replaced by other workers and supported by a new set of taxpayers. In turn, today's children, who are the beneficiaries of today's taxpayers and voters, will become those valued replacements. Rather than see all these parties as separate interest groups locked into isolated roles, many of them despairing over the competition for scarce resources, instead we could see the interchangeability of their roles over time. That view gives us hope that the generations can be mutually supportive.

Pursuing a Future of Hope or Despair?

Solutions to the problems of an aging society and immigrant incorporation require cooperation that spans seemingly unrelated groups. However, the willingness to work on those partnerships may depend most of all on how the public perceives the prospects for the future. In times of fear or despair, most of us grow more defensive and self-centered and less open to newcomers. In contrast, in times of hope and promise we are more likely to be willing to build an inclusive coalition for mutual progress. The question is this:

what kind of time are we living in now—a time of hope or a time of despair?

In the chapters that follow, I address two competing "stories," or realistic scenarios of the future that are centered on immigration and the relative advancement and integration of immigrants. An older story, rooted most strongly in the trends of 1970 to 1990, is contrasted to a newer story based on more recent trends and more recent assessments. Each scenario describes how past trends will unfold in the future, but the two stories adopt very different stances. The older story is the most widely accepted because it is rooted in earlier experience that has been adopted as common knowledge by the public. Extrapolating into the future some of the most negative trends from the recent past, and adding some crucial assumptions about immigrants, the older story presents a pessimistic view and encourages policies motivated by despair.

The alternative scenario of the immigrant future draws on more current trends and formulates a more optimistic view and a different policy conclusion. The future of hope emphasizes the newfound record of recent immigrant advancement and focuses on the benefits to follow in subsequent decades. Obviously, neither story of the future can be proven correct before that future unfolds. For now, the older story carries more weight simply because it is more widely believed, being so strongly anchored in recent popular experience. The newer story of the future, on the other hand, is tied to data and trends that are just beginning to be brought into common knowledge. In this book, I share the new evidence that highlights the story of hope and endeavor to explain this evidence in a forthright, commonsense fashion.

When choosing between the two scenarios for the immigrant future, citizens need to consider the effects of newness of immigration. More than numbers alone, when immigration is a new event, all the immigrants are new. Many observers have misestimated the future prospects of immigrants by overlooking this simple fact. Indeed, the effect of newness was crucial in shaping the older, pessimistic view of the future. The sudden upsurge in immigration to California was shocking to many of the state's residents in the 1970s and 1980s, just as the current upsurge is shocking to residents of other states who have encountered immigration only recently. As new arrivals, immigrants have very different characteristics than will be typical of them twenty years later, after they have settled in. If nothing else, twenty years later they will all

be twenty years older, and clearly better off in many ways. As is now plainly visible in California, immigrants do in fact make significant advances after twenty years of settling in. The evidence I present shows convincingly that most gain proficiency with English, work their way out of poverty, and realize the American Dream of homeownership. Indeed, by 2005 the top five surnames of California home buyers were Garcia, Hernandez, Rodriguez, Lopez, and Martinez, and nationwide four of the top ten names were Latino, compared to only two in 2000.8

This record of successful immigrant advancement is not widely recognized, partly because people have simply assumed that adult immigrants make no improvements and that only their children can advance. The evidence of the progress of immigrants who were earlier arrivals has also been obscured by the much larger numbers of newcomers in later decades. The National Research Council study also notes that with the acceleration of immigration in recent decades, the characteristics of newcomers overshadow and mask the upward advancement of previous arrivals. Citizens have simply extrapolated past conditions into the future, ignoring the fact that settled immigrants grow older, assimilate, and make economic gains. The naive assumption is that *immigrants are like Peter Pan*, frozen in time, never changing and always remaining just like new immigrants, rather than becoming older, more settled, and more successful citizens. California has the most experience with the post-1965 immigration, and the lessons about immigrant advancement visible there deserve to be shared more broadly.

Once revealed, the benefits of immigrant advancement create much greater hope about the potential success of immigrants and their contributions to society. Seen from this perspective, immigrant advancement after settlement deserves to be nourished so that even greater levels of achievement might be attained by both adult immigrants and their children. That is the message of the story of hope for the new immigrant future.

Early in the twenty-first century, we stand on a dramatic threshold of change. Our opportunity as citizens—indeed, our responsibility—is to seize this moment to create a better future for the average resident and for society as a whole. The great tragedy is that many of us fail to recognize how dependent we are on the rising new majority who will supply the workers, the tax-payers, and the home buyers. When we vote to undercut this group, how much are we undercutting our own future? Adding to the tragedy is the fact that the dismal view of the future is almost completely unwarranted by pres-

ent conditions, and yet that pessimism supports policies that undermine our otherwise hopeful future.

The Drama Unfolding

In the chapters that follow, our time horizon will sweep forward a generation to the year 2030, but first we go backward, to 1970, to remind ourselves of whence we came and of why we hold the attitudes that shape our current opinions. This is the beginning of a story about the future upon which we have already embarked—and upon which we can improve if we can first make out which direction is better and how the parts connect. The great immigrant transition is playing out over an even longer time period and probably will not be completed in much of the developed world until later in the twenty-first century. But it is already well under way in California, and an examination of these six decades is sufficient for us to grasp its dynamics and impacts.

The scope of this work is uncommonly broad because the topic of immigration and immigrant settlement touches on so many facets of life. Even if I have left out many of these facets, it is still necessary to delve into the domains of many different specialists, from demographers to sociologists, economists, geographers, and political scientists. Our focus on a sixty-year span of time also necessitates that we visit two very different groups of experts, social historians and forecasters drawn from business or urban planning. In addition, two topical foci draw us into dialogue with the education profession and with housing and real estate analysts. Certainly the problem at hand deserves deeper investigation in all of these realms. Lest the scope of this effort seem sheer madness, I should note that I am guided by the insights of Ernest Boyer, who urged both a scholarship of integration that links disciplines and isolated facts and a scholarship of application that addresses the most important problems of the day. My aim throughout is to make coherent a broad picture that will illuminate the understanding of citizens—the ultimate decisionmakers who will guide our collective future.

My aim is to take the reader on a journey of enlightenment as together we seek answers to certain guiding questions: How did we get here? Where are we going? What should we now do differently to reach a better end result? Many conflicting attitudes and values are competing in this saga: this is a struggle between hope and despair, between rejection and inclusion, and be-

tween individualism and interdependency. The story is told with primary reference to California, but always in comparison to parallel or supporting trends in the United States. I begin with a discussion of how we go about knowing the future, emphasizing the interplay between popular and expert knowledge and exploring some of the simple devices we use to make sense of the future, including extrapolated expectations, stories spun from facts, and assumptions. My emphasis is on our use of stories as self-fulfilling prophecies. I believe that citizens face a choice between two broadly different stories, one pessimistic and the other hopeful. I prefer the hopeful story, which is constructed with newer information, over the older story of despair.

I present the key demographic facts in chapter 3, focusing on three key issues: the aging of the baby boomers, growing racial and ethnic diversity, and growing populations of immigrants and their children. These three dimensions are intertwined in a new demographic transition that is sweeping the industrialized nations in the twenty-first century, driven by an age structure that is top-heavy with retirees and by a relative shortage of workers and tax-payers. When immigration is induced to fill these needs, the result is not only ethnic diversity but new challenges of social, economic, and political incorporation. There is much that can be done to make immigration a more beneficial outcome by the time the baby boomers complete their retirement years. Thus the analysis offered here looks well beyond current policy debates focused on border control and issues of illegal immigration, as important as those matters may be.

The account is loosely organized as a chronology, beginning with the early phase of the new transition, which is already concluded in California, and then focusing on the present, middle phase of voter opinion and perceptions of the social contract. Chapter 4 explains how the dismal view of the future evolved in the 1980s and 1990s. Evidence on the surprising and favorable turnaround in trends is then presented in chapters 5 and 6. These trends, especially concerning immigrant advancement, are not widely recognized in either their facts or their positive implications for the future.

A middle set of chapters addresses the present challenges to governance. Chapter 7 examines how much political participation lags behind population change and shows how it is that a white and mostly native-born minority can dominate the electorate. Analysis of opinion on some key political issues shows that the white electorate's preferences are substantially different from

those of the population majority, and often less mindful of the future. Some say the problem we face in America today is a total breakdown of consensus regarding the social contract. In chapter 8, I conduct a broad review of how the social contract has evolved over the last century and find numerous strands that have competed for prominence, each with a different premise and social understanding. Each strand emerged in a particular historical context to address urgent problems of the day, and most have remained as part of a package of accumulated expectations. Today, in response to new crises, the neglected intergenerational strand of the social contract is becoming prominent again. Chapter 9 addresses the fiscal crisis stemming from the baby boom's retirement and outlines a new strategy based on mutual self-interest that links the generations, spans ethnic groups, and helps tie together an otherwise fragmented society. This new spirit of interdependency and mutual aid corrects some of the excesses of the past, but its promise cannot be borne out without some proof of its benefits for the majority of voters.

The final set of chapters addresses the future benefits to be gained from investing in the new generation, cast from the perspective of the retiring baby boomers. Older voters may well find substantial benefits in supporting the younger generation, including the development of skilled replacements for the large number of retiring baby boom workers and a new base of middle-class taxpayers (addressed in chapter 10). Also important to older homeowners is protecting the value of their homes as assets either to draw upon for retirement income support or to sell outright. It is in the interest of homeowners that future home buyers be well educated and have sufficient income to make the price bids desired by home sellers. The risk is that the next generation will be so economically disadvantaged that baby boomer home sellers will outnumber their buyers and face the massive collapse of a generational housing bubble (addressed in chapter 11). These fundamental fiscal and economic relationships tie together interests, span the ethnic divisions, and bridge the generations.

The final chapter draws conclusions and lessons about how these findings inform starkly different policy choices. The great advantage for other states and nations is that California is preceding them through the great demographic transition. The drama is not a natural event unfolding without human intervention. Every inch along the way is guided by the choices of voters and decisionmakers. Much can be gained by other states and nations

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from seeing how these issues have played out in the Golden State. If they can absorb the lessons at hand there, they should have an easier time of it. And indeed, all of us can learn how to turn the demographic transition from a problem leading to a future of despair into a promising advantage that becomes the foundation for building a future of hope.