

**IMMIGRATION AND THE U.S. ECONOMY** ..... 1-7

FOREIGN-BORN SHARE OF U.S. POPULATION ..... 4

MOST COMMON COUNTRY OF ORIGIN FOR LEGAL IMMIGRANTS IN EACH STATE..... 6

**INTEREST RATES AND ECONOMIC INDICATORS** .....8

**COBANK ANNOUNCES RENEWAL OF SHARING SUCCESS FOR 2016**.....9

**ABOUT COBANK** .....9

## Immigration and the U.S. Economy

Of all the issues consuming this impassioned presidential election season, none has been quite so contentious as immigration. Pledges to build walls and launch mass deportations of illegal immigrants have alternated with protests at rallies and charges of racism and nativism. In recent interviews with CBS News, *The Washington Post* and elsewhere, Stuart Anderson, the executive director of the National Foundation for American Policy, has explained why he believes some of the more headline-grabbing proposals are, regardless of one’s political views, economically and politically unworkable.

Amid the vitriol and raw emotions on all sides, the nonprofit and nonpartisan NFAP strives for a historical view of immigration that takes into account economic and employment figures. To that end, Anderson has researched and written about immigrants from a wide variety of angles, including their impact on jobs, why it can be difficult for even skilled workers to remain in the U.S., the number of companies founded by immigrant entrepreneurs, the number of deaths of immigrants trying to enter the United States illegally in search of work, and even the ways that immigrants have reshaped a cornerstone of American popular culture: professional sports.

Anderson spoke with *OUTLOOK* about the history of immigration in the United States, including some past programs and initiatives that could hold answers for the future, and their overall impact on the U.S. economy.

***OUTLOOK: It seems like Americans have been fighting over immigration forever. Do our current battles stand out as especially contentious, or are they just part of the continuum?***

**Stuart Anderson:** From a historical perspective, I think this is all part of the continuum. Controversies ebb and flow with the level of fear in the country. In 1921, amid concerns over the number of Jews, Italians and other non-Nordic Europeans entering the country, Congress passed “national origins” legislation, establishing legal quotas for the number of immigrants from specific countries. Prior to 1921, except for the deeply unfortunate Chinese Exclusion Act of 1882, the United States had never imposed quotas on immigration. There were some qualitative restrictions, such as showing good health, or not being a detriment to society. Otherwise, people were able to come in freely. Since 1921, Congress has stepped in and changed the law in positive and negative ways, largely reflecting the mood of the country at the time.

---

### This Month's Expert



Stuart Anderson is executive director of the National Foundation for American Policy, a nonpartisan, nonprofit public policy research organization based outside of Washington, devoted to research on immigration, trade, education, and other issues. Anderson is also an adjunct scholar at the Cato Institute. From 2001–2003 he served as executive associate commissioner for policy and planning and counselor to the commissioner at the Immigration and Naturalization Service.

Anderson served on the Senate Immigration Subcommittee for two United States senators. Prior to that, he was director of trade and immigration studies at the Cato Institute, studying contributions of immigrants to the United States in areas ranging from technology to the military. He has a master's degree from Georgetown University and a bachelor's in political science from Drew University. His writings have appeared in *The Wall Street Journal*, *The New York Times*, *The Los Angeles Times*, and other publications.

When you have concerns about war or terrorism, you're going to see more concern about who's coming into the country. And when you have economic anxiety such as our recent recession, you're going to have concerns about immigrants taking jobs. But I think the debate is going to continue for the next 100 years at least.

**OUTLOOK: *Given where the two parties stand, what types of immigration reform are we likely to see over the next few years?***

**SA:** Where immigration policies go depends on who wins the next election, of course. The leading Republican candidates have indicated they want to tighten things up as much as possible. The leading Democrats have indicated they want to target enforcement at people who have committed serious crimes. As far as legislation, it's going to be very challenging in this environment to pass any large bill. But I do think there's potential for smaller legislation, such as making it easier for high-skilled immigrants to come to this country.

**OUTLOOK: *What impact has immigration had on the U.S. economy over the last few decades?***

**SA:** It's not easy to put specific economic numbers around a phenomenon as wide as immigration. One major study backed by the National Research Council, released back in 1997 but still widely cited, estimated that immigrants overall added about \$200 billion each year to the U.S. Gross National Product. Much of the recent research on the economic benefits of immigration has focused on the positive impact that reforms might have. One 2009 Cato Institute study found that replacing the current flow of illegal workers with a system of legal work visas could add \$260 billion a year to the U.S. economy. Giving lower-skilled workers visas would likely reduce illegal immigration, since such workers would no longer have a reason to enter unlawfully. That would free up enforcement assets to focus on more serious threats. Another prominent study by several leading economists found that for every 100 international students who earn a science or engineering Ph.D. from a U.S. university, the country will benefit with 62 new patent applications.

**OUTLOOK: *How has immigration affected the labor force?***

**SA:** Immigration has expanded the number of workers available to companies, allowing more of the companies to grow inside the United States. The vast majority of full-time graduate students at U.S. universities are international students – including 77 percent in electrical engineering and 71 percent in computer science. If companies couldn't offer those students jobs, they would have a very difficult time developing products, servicing customers, and expanding in the United States, and would be locating more of their work elsewhere.

It's going to be very challenging in this environment to pass any large bill. But I do think there's potential for smaller legislation, such as making it easier for high-skilled immigrants to come to this country.

At the lower end of the scale, restaurants, dry cleaners, and other companies would have problems finding workers without immigrants, who may also come here illegally, as we know. More Americans are going to college and seeking midlevel and higher-skilled work. They aren't as interested in those low-skill jobs. But it would be much better if these immigrants were making that contribution with a legal status. That's been one of the failures of our immigration system. There are employers who want to hire people, and there are people who want to work. But much of that activity takes place on the black market because existing laws don't allow the two parties to meet in a legal fashion.

***OUTLOOK: What is the overall effect of legal and illegal immigration on wages and unemployment in the U.S.?***

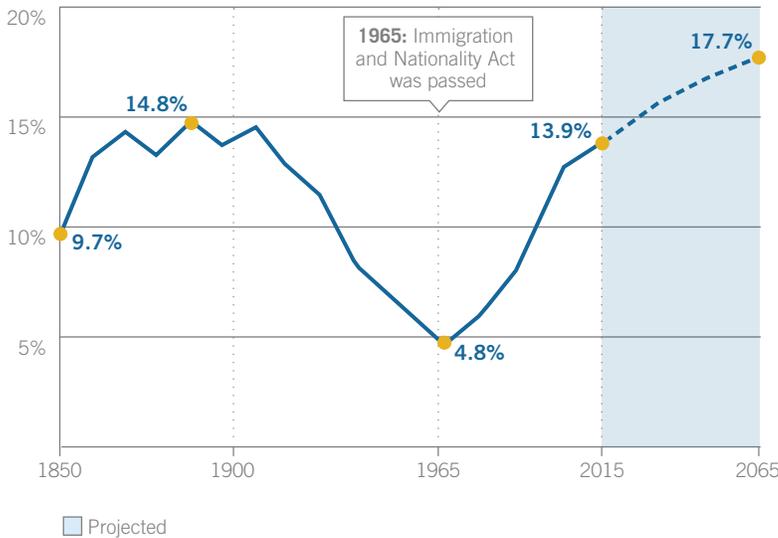
**SA:** As for unemployment, there is a broad consensus among economists that immigration is not a detriment. Simply having more people enter a labor force does not mean other people have to lose their jobs. When an immigrant (or anybody else) enters the labor force, they don't just fill a job – they also help create new jobs by spending as consumers, or by becoming entrepreneurs and hiring people.

In addition, the vast majority of economists have found that immigrants have little if any negative impact on the wages of native-born workers. In fact, Giovanni Peri of the University of California-Davis, has done research showing that immigrant workers have, on average, slightly increased the wages of U.S. workers, especially at the high end of the job scale. This can happen if immigrants are complementary to native-born workers, raise productivity, and help increase investment. Where most of the dispute over wages comes is the impact on a decreasing portion of the U.S. labor force – high school dropouts. With this segment there is some evidence that immigrants lower wages.

***OUTLOOK: Are there provisions for low-skilled workers to enter the United States legally if they choose to?***

**SA:** A foreign national can obtain an H-2A visa to work in agriculture. But it's not a great system – very bureaucratic and inefficient. A lot of farm laborers come in illegally, in part, because the bureaucracy is such a burden. Outside of agriculture, there are H-2B visas for seasonal work at hotels, and for some short-term projects such as crab picking in Maryland. But there's nothing for foreign nationals who want to legally work full time in a full-year job.

## FOREIGN-BORN SHARE OF U.S. POPULATION



Source: Pew Research Center.

There will never be widespread acceptance of people doing something in violation of the law. But if instead you put in a system where people could come in legally to work in lower-skilled jobs, you might relieve a lot of that antagonism.

**OUTLOOK: Is there any historical precedent for that kind of program?**

**SA:** To relieve labor shortages in the United States during World War II, the U.S. and Mexico entered an agreement that became known as the Bracero program, allowing Mexicans to work on U.S. farms. But the program really expanded after the war, in response to rising tensions over illegal immigration. In 1954, the Immigration and Naturalization Service let growers know it would be cracking down on

illegal immigration, but would loosen the Bracero program's bureaucratic rules and allow many more workers in legally. The result was one of the great social science experiments of the 20th century, answering the question: Would people come into the country legally if there was a market mechanism that allowed them to do so?

**OUTLOOK: What did we learn?**

**SA:** The level of apprehensions at the border serves as a proxy for illegal entry. In 1953 more than 885,000 people were apprehended trying to cross the U.S. border from Mexico illegally. By 1959, with the Bracero program in full swing, that number dropped by 95 percent, to 45,000. What that tells us is that if people know they can come and go legally on a regular basis, they don't feel the need to enter illegally. Market forces created a circular flow of labor back and forth across the border.

That said, the Bracero program wasn't perfect. There were reports of employers mistreating foreign workers or withholding pay, and unions complained about competition for jobs. Instead of looking for ways to improve the program, the government, amid political pressures, shut it down in 1964. By 1976, apprehensions at the border were back up by 1,000 percent, to 875,000.

When an immigrant enters the labor force, they don't just fill a job – they also help create new jobs by spending as consumers, or by becoming entrepreneurs and hiring people.

***OUTLOOK: From the perspective of the agricultural sector, what challenges do those industries face under the current immigration system?***

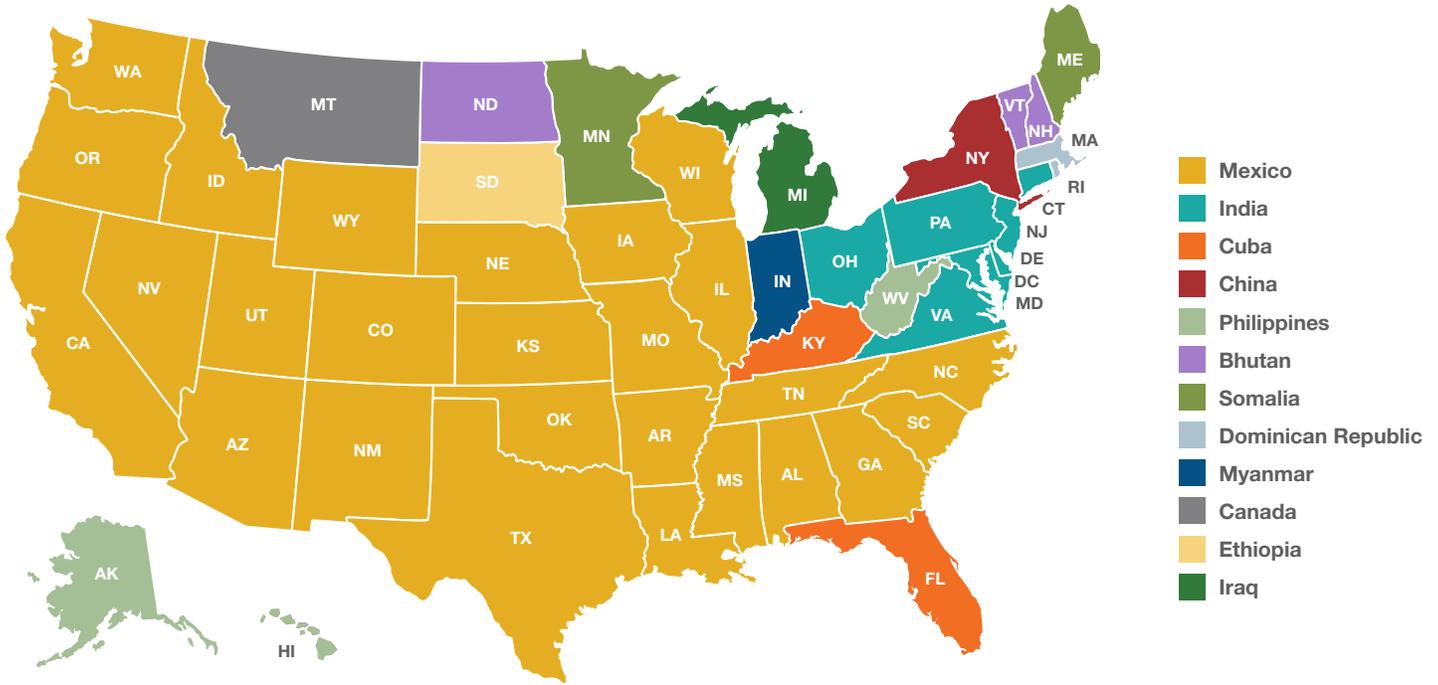
**SA:** The biggest challenge for employers in agriculture is ensuring a reliable supply of legally authorized workers. While there are always exceptions, as a general matter, anyone who owns a business will go to considerable expense to ensure he or she is operating within the law. The stakes are too high to operate in any other way. But given the bureaucratic problems with both the H-2A and H-2B seasonal worker programs it is not easy for many employers who need seasonal labor. Legislative or administrative actions in the future that attempt to crack down on employers or unauthorized immigrant workers without making it easier to hire individuals on legal visas would only add to the current challenges facing employers in agriculture.

***OUTLOOK: How influential are immigrants as entrepreneurs?***

**SA:** We recently studied privately held U.S. companies with valuations of at least \$1 billion. Immigrants started more than half of these – 44 of 87 – and hold key management or product development positions in more than 70 percent. So not only are they creating jobs directly as founders or co-founders, they're also doing so by filling key roles. These companies have created an average of more than 700 jobs each. Some of the better-known examples include South African-born Elon Musk, founder of SpaceX and Tesla, and Canadian-born Garrett Camp, co-founder of Uber.

While these are success stories, some also highlight problems with our immigration system. Look at the case of Jyoti Bansal, founder of AppDynamics in San Francisco. AppDynamics helps large corporations improve the efficiency of their apps and websites, and employs 900 people. Jyoti came to the United States from India on a visa called H-1B, which permits you to do skilled work but not to start a company. He had to wait seven years for his green card before he could start AppDynamics. During that time, he felt he couldn't leave because he was here on a temporary visa and might not be let back in. So he stayed and waited. But what about other potential entrepreneurs who leave rather than wait so many years and have their life unsettled? We make it hard for these people who are going to come in and do wonderful things for us.

**MOST COMMON COUNTRY OF ORIGIN FOR LEGAL IMMIGRANTS IN EACH STATE**



Source: Slate; Department of Homeland Security, as of 2012.

**OUTLOOK: How many skilled workers do we allow into the United States each year?**

**SA:** The United States limits H-1B temporary visas (for skilled workers who have job offers from U.S. companies) to 85,000 per year for for-profit employers. That’s .05 percent of the total U.S. workforce of 156 million people. With a number as small as that, we run through all those visas every year during the first week they become available. Unlike small companies, who may miss out entirely on a worker, large employers unable to obtain a visa for a professional are likely to place the person overseas, which encourages more investment to take place outside the United States.

Our policies on skilled immigration haven’t changed since 1990. But think how the world has changed! In 1990, there was no World Wide Web transforming almost everything we do in our daily lives. We didn’t have smartphones, online gaming, 3-D printers, or social media. The list goes on. Each of these developments has created enormous demand for people with technical skills, not to mention greater international competition for the best workers. And yet the Congress has made virtually no changes to U.S. immigration law in this area in more than 25 years.

**OUTLOOK: Where will future U.S. immigrants come from?**

**SA:** In recent years, the legal immigration flow has shifted so that we’re getting more from Asia than Latin America. That trend is going to continue. In terms of illegal immigration, the biggest source prior to 2010 was Mexico.

Today, based on apprehensions, there are actually as many or more people coming from Central America, due mainly to violence and political instability in those countries.

***OUTLOOK: A lot of the concern about immigration today is less about economics and more about security. What's your response to the argument that we should clamp down on immigration due to concerns about terrorism and other national security issues?***

**SA:** Restricting immigration is a very broad tool for addressing terrorism, since you are talking about 1 million legal immigrants, thousands of temporary workers, and millions of visitors each year. Relatively few of these individuals would represent a genuine national security threat. The key is both obtaining intelligence and sharing intelligence across borders and within the government, which has improved since 9/11. The U.S. government has tightened some of the requirements for visitors coming to America under the Visa Waiver Program, and those reforms seem to strike the right balance between enhancing security without unduly burdening legitimate commerce. Remember that most visa rules on travel are reciprocal, which means if we require citizens of every country to get a visa to come to America, which in itself may not necessarily increase security, then Americans would be required to obtain visas for every country as well. Today, Americans can travel to most of Europe and a number of other places without the cost and burden of obtaining a visa. Every policy has a cost, and the security value of any new rules must be weighed against those costs. As a separate matter, preventing radicalization of people in their teens and twenties, both native-born and foreign-born, remains a challenge for many governments and communities.

***OUTLOOK: As an example of a healthy approach to immigration, you point to an unlikely area: professional sports. Why?***

**SA:** One of the most successful National Basketball Association franchises in recent years has been the San Antonio Spurs. They also have one of the highest levels of foreign players. In other words, they've been willing to go out and get the best people, regardless of where they were born. In 1990, 10 percent of Major League Baseball players were foreign-born. By 2014 that number jumped to 25 percent. What's interesting is that during that same period, despite a fixed number of available positions, we saw a substantial increase in player salaries. And you never heard anyone say that foreign-born shortstops or pitchers were taking jobs from Americans. Fans of the Cuban-born Yoenis Cespedes, and his teammates on the New York Mets, don't see him as taking a job from an American, but as someone who is making a contribution to his team. It's a merit-based situation. I think we can learn from the attitude that it doesn't matter where you were born, if you can make a contribution. ■

*Commentary in Outlook is for general information only and does not necessarily reflect the opinion of CoBank. The information was obtained from sources that CoBank believes to be reliable but is not intended to provide specific advice.*

# Interest Rates and Economic Indicators

The interest rate and economic data on this page were updated as of 3/31/16. They are intended to provide rate or cost indications only and are for notional amounts in excess of \$5 million except for forward fixed rates.

## KEY ECONOMIC INDICATORS

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

## ECONOMIC AND INTEREST RATE PROJECTIONS

Source: Insight Economics, LLC and Blue Chip Economic Indicators

### US Treasury Securities

2016	GDP	CPI	Funds	2-year	10-year
Q2	2.30%	2.00%	0.40%	0.91%	1.94%
Q3	2.40%	2.10%	0.49%	1.07%	2.08%
Q4	2.40%	2.30%	0.56%	1.28%	2.27%
2017	GDP	CPI	Funds	2-year	10-year
Q1	2.30%	2.20%	0.61%	1.47%	2.43%
Q2	2.30%	2.30%	0.66%	1.66%	2.59%

## PROJECTIONS OF FUTURE INTEREST RATES

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

## IMPLIED FORWARD SWAP RATES

Years Forward	3-month LIBOR	1-year Swap	3-year Swap	5-year Swap	7-year Swap	10-year Swap
Today	0.64%	0.74%	0.95%	1.18%	1.39%	1.64%
0.25	0.72%	0.81%	1.02%	1.23%	1.45%	1.67%
0.50	0.79%	0.86%	1.07%	1.29%	1.50%	1.73%
0.75	0.83%	0.91%	1.12%	1.34%	1.55%	1.77%
1.00	0.88%	0.96%	1.17%	1.40%	1.60%	1.81%
1.50	0.99%	1.07%	1.28%	1.51%	1.69%	1.89%
2.00	1.09%	1.20%	1.39%	1.60%	1.78%	1.97%
2.50	1.21%	1.28%	1.50%	1.71%	1.87%	2.04%
3.00	1.33%	1.36%	1.62%	1.82%	1.95%	2.10%
4.00	1.54%	1.63%	1.86%	2.00%	2.11%	2.22%
5.00	1.78%	1.87%	2.06%	2.15%	2.24%	2.32%

## HEDGING THE COST OF FUTURE LOANS

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

## FORWARD FIXED RATES

### Cost of Forward Funds

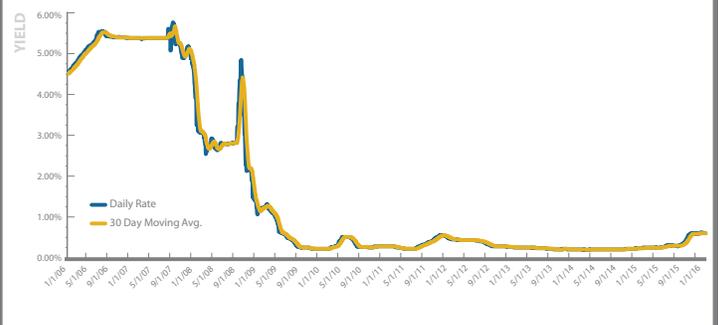
Forward Period (Days)	Average Life of Loan			
	2-yr	3-yr	5-yr	10-yr
30	8	8	8	8
90	12	14	14	13
180	14	20	21	21
365	31	38	39	37

Costs are stated in basis points per year.

## SHORT-TERM INTEREST RATES

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

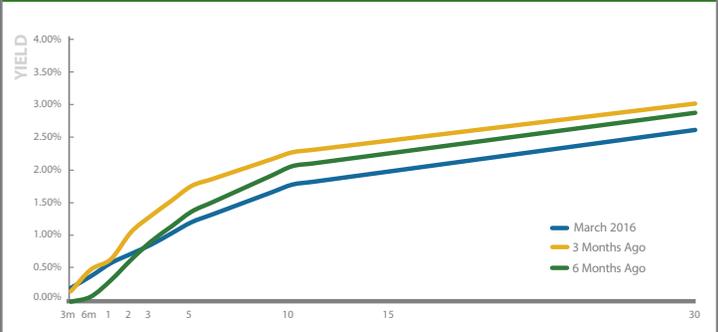
## 3-MONTH LIBOR



## RELATION OF INTEREST RATE TO MATURITY

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

## TREASURY YIELD CURVE





### About CoBank

CoBank is a \$117 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving farmers, ranchers and other rural borrowers in 23 states around the country.

CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture and the nation's rural economy.

Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit the bank's web site at [www.cobank.com](http://www.cobank.com).

## CoBank Announces Renewal of Sharing Success for 2016

CoBank has announced the renewal of its Sharing Success charitable contribution program not just for 2016, but in the years to come as well. The bank's board of directors has approved a commitment of \$3 million this year for the program, which will be used to match donations by cooperative and other eligible customers to nonprofit organizations in their communities.

Launched in 2012 to celebrate the United Nations' International Year of the Cooperative, Sharing Success has received tremendous response from CoBank customers, and has been renewed each year by CoBank's board. This year, the board unanimously approved the program to become a permanent part of the bank's corporate social responsibility efforts. Since its inception, Sharing Success has generated nearly \$20 million for nonprofit organizations throughout the country, predominantly in rural areas.



*Robert B. Engel*

"Our customers have told us they deeply value the Sharing Success Program as a way to increase the impact of their charitable giving efforts," said Robert B. Engel, CoBank's chief executive officer. "Each year we have seen an increase in the number of participating customers and the number of charitable organizations served by the program. We are delighted that our board has recognized the value of Sharing Success and the benefit it provides to our customers and the rural communities they serve."

The 2016 program launched on April 1 and will run through October 31 or the point at which the fund is exhausted, whichever comes first. The bank will match the contributions of eligible customers on a dollar-for-dollar basis, from a minimum of \$1,000 up to a maximum of \$5,000 per customer. Cooperatives and other eligible customers interested in participating should contact their CoBank relationship manager or visit [www.cobank.com/about-cobank/sharing-success](http://www.cobank.com/about-cobank/sharing-success) for an application and detailed program requirements. ■