Welfare and amnesty

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IN AN op-ed in the *Washington Post*, Jim DeMint and Robert Rector of the conservative Heritage Foundation desecrate the methods of sound social science as well as the memory of the sainted dead. On the way to touting a new Heritage study on the costs of immigration reform—a study that was immediately lambasted by the scholars of other right-leaning think tanks—Messrs Demint and Rector appeal to the authority of the late Milton Friedman (pictured). They write:

> The economist Milton Friedman warned that the United States cannot have open borders and an extensive welfare state. He was right, and his reasoning extends to amnesty for the more than 11 million unlawful immigrants in this country. In addition to being unfair to those who follow the law and encouraging more unlawful immigration in the future, amnesty has a substantial price tag.

I'll get to the putative costs of amnesty in a moment. First let's set the record straight on Milton Friedman's oft-misunderstood "warning" about open borders and the welfare state. In a lecture titled "What is America?" Mr Friedman offers this thought:

> [I]t is one thing to have free immigration to jobs. It is another thing to have free immigration to welfare. And you cannot have both. If you have a welfare state, if you have a state in which every resident is promised a certain minimal level of income, or a minimum level of subsistence, regardless of whether he works or not, produces it or not. Then it really is an impossible thing.

> Look, for example, at the obvious, immediate, practical example of illegal Mexican immigration. Now, that Mexican immigration, over the border, is a good thing. It's a good thing for the illegal immigrants. It's a good thing for the United States. It's a good thing for the citizens of the country. But, it's only good so long as its illegal.

Please note that this is an argument in favour of large-scale *illegal* immigration, which is not what Messrs Demint and Rector wish to recommend. In the context of a large welfare state, Friedman favoured illegal over legal immigration because, (a) immigration to jobs is "a good thing" for everyone involved, and (b) illegal immigrants are ineligible for most forms of government transfer payments and therefore must be immigrating for jobs, which is just great. Friedman's argument here amounts to little more than the simple observation that it's infeasible to give lots of free money to anyone who shows up, because scads of people will then show up just for free money, and there won't be enough money to go around. However, in order to work as an argument against

increased *legal* immigration, Friedman required a further, false assumption: that legal residency logically entails eligibility for free money. It doesn't.

Residency and eligibility for welfare are logically and legally separable matters, and they are for the most part legally separated. The immigration-reform legislation of 1996 explicitly barred most non-citizens from receiving most benefits, and matters remain much the same to this day. (In any case, poor resident aliens are less likely than poor American citizens to claim the benefits for which they *are* eligible). America, or any other country, *can* have relatively open borders and an extensive welfare state. What they can't have is the policy, which no one has ever actually favoured, of giving away free money to anyone who happens to reside within their country's borders. *This* is the policy Friedman pointlessly warned us against, and it has no real bearing on the current debate over immigration reform.

That said, even if Friedman's argument (for *illegal immigration*!) did not founder on a simple mistake, it still wouldn't work as an argument against offering illegal residents a path to legal residency. As far as Friedman was concerned, if those immigrants came primarily for work, and not for welfare, we should be happy to have them stick around. If the possibility of a future amnesty sweetens the prospect of illegal immigration for other hard-working foreigners, all the better.

Now, it's quite clear that Messrs Rector and DeMint disagree fundamentally with Mr Friedman on the merits of relatively free immigration. They deny that that those who have illegally immigrated to find jobs are "a good thing" for America, and they argue that providing those residents a path to citizens will exact a terrible price:

> *Already, illegal immigrants impose costs on police, hospitals, schools and other services. Putting them on a path to citizenship means that within a few years, they will qualify for the full panoply of government programs: more than 80 means-tested welfare programs, as well as Social Security, Medicare and Obamacare. The lifetime fiscal cost (benefits received minus taxes paid) for the average unlawful immigrant after amnesty would be around $590,000. Who is going to pay that tab?*

It is for this estimate, among others, that Mr Rector and Jason Richwine, his co-author on the Heritage study, have been flayed. Messrs Rector and Richwine fail entirely to take into account the larger dynamic consequences immigration reform. Tim Kane, an economist formerly of the Heritage Foundation, complains that "The authors estimate fiscal benefits only (and weakly), but ignore economic benefits entirely". He goes on to add that:

> *Millions of migrants cannot help but add to the GDP, and more importantly to specialization and growth. Dynamically, there are at least two huge channels of positive feedback into the productive side of U.S. economy—think of less expensive farm produce and greater demand for housing.*

As Shikha Dalmia, writing for *Bloomberg*, noted last month:

> *State-level studies that have taken both [fiscal and dynamic economic effects] into account consistently find that the economic contributions of these immigrants dwarf their fiscal costs. A 2006 analysis by the Texas*

comptroller estimated that low-skilled unauthorized workers cost the state treasury $504 million more than they paid in taxes in 2005. Without them, however, the state's economy would have shrunk by 2.1 percent, or $17.7 billion, as the competitive edge of Texas businesses diminished.

Likewise, a 2006 study by the Kenan Institute at the University of North Carolina found that although Hispanic immigrants imposed a net $61 million cost on the state budget, they contributed $9 billion to the gross state product.

A similar result seems likely to hold for the country as a whole. Alex Nowrasteh of the Cato Institute cites a recent paper by Raul Hinojosa-Ojeda, a political scientist at UCLA, which uses a dynamic model to estimate that "immigration reform would increase U.S. GDP by $1.5 trillion in the ten years after enactment", and that the effect of implementing the policy currently favoured by Heritage would lead to "a $2.6 trillion decrease in estimated GDP growth over the next decade".

My guess is that these estimates are too high, but neither Milton Friedman nor the authors of the Heritage study offers a serious reason to doubt that the economic benefits of immigration reform will far outweigh the costs.