

Amnesty Advocates Say Immigrants Could Boost Economy

By: Josh Boak – January 29, 2013

If the government lets millions of undocumented workers emerge from the shadows, it would kick-start a virtuous cycle. Their wages would improve, their personal spending would increase, and that would galvanize the economy as a whole, according to immigration advocates and economic research.

“We need to have a mechanism that allows us to use this pool of workers when needed without the economically inefficient and socially inhumane process that occurs today,” said Ray Perryman, the head of a Texas-based economic analysis firm. “Over a long-term horizon, the U.S. needs the workforce.”

Without undocumented workers, the economy would lose 2.8 million jobs and \$245 billion worth of annual output, according to a 2008 study by Perryman.

Those numbers were seconded last year in research by UCLA professor Raul Hinojosa Ojeda that was published by the Cato Institute. Immigration reform affecting an estimated 11 million people would pump another \$150 billion into the economy over the next decade, Hinojosa Ojeda wrote. Wages for newly legalized workers in low-skilled jobs would grow by \$4,400 a year as amnesty is implemented, a pay bump that would spread through the economy to support another 750,000 to 900,000 jobs.

Walter Ewing, the senior researcher at the Immigration Policy Center, explained, “It’s kind of a chain reaction, or a ‘multiplier effect’ as economists call it.”

Dollars and cents are a critical—but largely unappreciated—part of the immigration reform proposal that a bipartisan group of eight senators unveiled Monday. President Obama plans to announce similar recommendations in a speech today.

Much of the attention has instead been on the political ramifications. Republicans are trying to curry favor with the Hispanic community after the increasingly influential group flocked to President Obama in the November election.

“The politics on this issue have been turned upside down,” said Sen. Chuck Schumer, D-NY, said at a press conference about the new blueprint. “For the first time ever, there is more political risk in opposing immigration reform than in supporting it.”

The proposal opens the door for undocumented workers to receive a green card, provided they clear a background check and pay a fine and back taxes. These individuals would receive “probationary legal status” to live and work inside the United States.

As a condition for amnesty, the government would further tighten the security of the border with additional agents and aerial drones. It already costs \$10,000 for border agents to nab one illegal. The senators’ plan would also award a green card to any immigrant with an advanced degree in science, math and engineering from an American university.

Sen. Marco Rubio, R-Fla., addressed the conservative GOP base by noting that with these requirements, “we also have to ensure that we don’t do anything that encourages people to come here illegally in the future.”

Some of the conservative opposition will come not just from law-and-order types living in border states, but also from estimates for what this could mean for government finances. The Federation for American Immigration Reform estimates that undocumented workers cost the federal government \$28.64 billion in 2010, with \$6 billion paying for medical treatment and another \$4.56 billion related to welfare programs. Separately, the tally for state and local governments was \$83.85 billion.

Unauthorized immigrants do pay taxes as well. The federal government collected \$9.45 billion in Social Security and other taxes from them, while the state and local level managed to receive another \$3.96 billion, according to FAIR, which supports a temporary moratorium on all immigration.

The framework announced Monday would deny federal public benefits to “probationary” immigrants.

Jack Martin, director of special projects at FAIR, told The Fiscal Times that his organization has not performed a “full-scale fiscal impact analysis,” yet he said that any economic gains would be offset by more immigrants receiving access to welfare.

Martin plans to scour the eventual bill to see whether those undocumented workers filing their taxes retroactively would qualify for the Earned Income Tax Credit, which provides cash benefits to Americans with low wages.

“If that were made possible, we would see a giant sucking sound on the Treasury,” Fair said.

The actual demographics of undocumented workers are often glossed over during the political debate. Their households average a mere 1.3 people, basically a sign that these are individuals who jumped the border in order to get a job rather than relocate an entire family, said the Texas economist Perryman.

The Congressional Budget Office noted in 2007 that the state and local resources going toward undocumented workers is a fraction of the total spending in those programs.

“[S]pending for unauthorized immigrants accounted for less than 5 percent of total state and local spending for those services,” the CBO wrote. “Spending for unauthorized immigrants in certain jurisdictions in California was higher but still represented less than 10 percent of total spending for those services.”

Parsing through the economics of immigration will be crucial in selling the measure to a Republican-majority House. GOP lawmakers favor pro-growth strategies, but they tend toward more conservative extremes than their colleagues in the Senate and question the precedent set by some forms of Amnesty.

“The House is kind of a wild card,” said Ewing, the Immigration Policy Center researcher. “It’s hard to know which way Republicans are going to be pulled.”