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Economic Judgment on Arizona's Immigration Law

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On April 25, the U.S. Supreme Court will hear oral arguments over the constitutionality of Arizona's controversial immigration law. But jurisprudence aside, the economic verdict is already in: The law has damaged Arizona's economy.

Arizona's immigration law burdens businesses with regulation and penalizes workers. It has driven tens of thousands of laborers, consumers and entrepreneurs from the state, turning its bad economy even worse.

At its heart, Arizona's immigration policy is an unfunded mandate that raises the cost of hiring workers and expanding production. Neither is good policy in even the best of economies, which we are far from experiencing currently.

The worst example: E-Verify. It's an electronic verification system that employers are supposed to use to check the legal work status of all new employees. Besides failing to detect unauthorized immigrants 54 percent of the time -- thus flunking its core function -- E-Verify falsely identifies legal workers as illegal about one percent of the time.

Arizona's immigration law also expands the so-called "business death penalty," where second-time offenders who knowingly or intentionally hire unauthorized workers lose their business licenses. This penalty deters businesses from moving to Arizona, expanding within in the state, or even starting up in the first place.

Businesses hire fewer new workers when confronted by expensive and complicated regulations such as Arizona's. Richard Melman, [described](#) as the "Steven Spielberg of the restaurant industry," halted plans to open an Asian-themed restaurant in Scottsdale after E-Verify became mandatory. He [said](#), "You put in \$3 million or \$4 million, and you can be shut down for a mistake. Why take a chance? I want to see how it plays out."

E-Verify and the business death penalty didn't open up jobs for Americans; it drove entrepreneurs from the state.

All of this is reflected in Arizona's unemployment rate, which has been at or above the national average since mid-2008. Contrary to rhetoric, unauthorized migrants don't just sit around breaking immigration laws all day (and they are also far less likely than naturalized citizens to commit violent and property crimes in general, by the way). Immigrants fill low-wage jobs, start businesses, buy products from Americans, and grow the economy. But tens of thousands of these productive workers have either gone deeper into the informal economy or left the state completely. Their economic contributions have left along with them.

Unauthorized immigrants rarely compete for the same jobs as natives because they have poor language skills that put them at the bottom of the labor market. Communication in English is more important than brawn for better-paid professions; a productive immigrant labor force, therefore, tends to push more Americans up the wage ladder.

In Arizona they are concentrated in agriculture, construction, manufacturing, leisure and hospitality, food preparation, and the retail trade. Without an available supply of low-skilled workers, many of those businesses fail and prices for the goods they produce would rise.

Agriculture is a prime example. Farmer Tim Dunn grows black-eyed peas and garbanzo beans near Yuma, but he is having trouble finding enough labor to pick them. "We just don't see people walking up, looking for jobs like they used to," he [says](#). Other farmers across the state tell similar stories.

Dunn's choice is not between paying low or high wages -- it is between paying low wages, stopping production, or shifting to more expensive crops that don't require pickers. As a result, Arizona farmers are shifting from growing profitable crops like alfalfa and tomatoes to less profitable crops like cotton and wheat because they can be harvested with machines. This amounts to government-created labor scarcity -- and it does not produce prosperity or greater wealth for Americans at large.

The Supreme Court will ignore the mighty contribution of unauthorized immigrants to Arizona's economy. Getting rid of immigration laws that restrict the movement of peaceful and healthy migrants would allow them to contribute even more. Arizona should be making it legal for them to work instead of increasing penalties on Americans for hiring the employees they want. Whether or not Arizona's immigration law is constitutional, it is bad economic policy, and the last thing an economy struggling to create jobs needs.

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