

## Immigration reform will boost the California economy

By: John Chiang – May 10, 2013

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We humans have a history of dividing the world into "us" and "others." As the son of immigrant parents, I saw first-hand the trepidation of those unready to transcend cultural differences with other Americans.

I know what it's like to be labeled an "other."

That's why, in the current debate on immigration, I identify with the moral arguments that call for greater tolerance and diversity. But as the chief fiscal officer of a state eager for economic expansion, I believe earned citizenship is vital for the economic health of our great state.

Californians of the 21st century — citizens of a global world — understand the contributions of "others." They are inseparably woven into the vibrancy, success and productivity of our state.

President Obama re-opened a national discussion about strengthening border security and streamlining immigration, with a clear pathway to earned citizenship. A number of recent studies point to the reforms' possible benefits and to immigrants' contributions to our economy.

The U.S. Labor Department measured the effects of extending legal status and citizenship to immigrants after the 1986 immigration act. It determined that within five years of the change, wages for affected immigrants rose by 15.1 percent adjusted for inflation. Higher income promotes retail spending, home ownership, and benefits for the rest of the economy. It can broaden business opportunities and fuel growth in our state.

The non-partisan Congressional Budget Office determined that comprehensive reform would increase both investment and the productivity of new workers brought to our labor force. Overall GDP would increase between 0.8 and 1.3 percent as early as 2016. Given California's population and economic mix, we are likely to experience growth at a rate higher than the nation. Assuming the state benefited by just one-tenth of the nation as a whole, California's 10-year gain could be \$80 billion to \$140 billion.

The Fiscal Policy Institute estimates that immigrant-owned small businesses employed 4.7 million people in 2007, 500,000 of them in California. With sound immigration reform, we could see more people opening small businesses. According to a study by the Center for American Progress, extending legal status or citizenship to current residents can lead to an annual job increase between 121,000 and 203,000, depending on how fast the reforms are implemented. California stands to expand employment by at least 12,000 jobs annually.

Some have suggested that immigration reform could encourage better tax compliance, easing state and federal tax enforcement efforts. The conservative-leaning Cato Institute estimates that, had immigration reform been enacted, California's General Fund revenues would have climbed \$5 billion in 2012 alone. The crux of the Cato argument is this: The broken federal immigration system has led to wage depression. With comprehensive reform, the wage floor for workers will actually rise, new investment opportunities will be created, and new economic activity will replenish public service budgets.

With record numbers of Californians reaching retirement age, projections show a heavy reliance on new immigrants and their first-generation American children, especially in vital areas like technology, service, and agriculture. Expanding our employment base and meeting employers' needs requires the national immigration discussion to produce more than politically-charged chatter.

In a globally-competitive world, talent and money move where they are most valued. California is ill-served by limiting the flow of skills, workers and investment. If we dismiss the immigrant worker as an "other," we put our economy at risk. The President's blueprint for immigration reform recognizes the untapped potential of a diverse, resilient and growing economy. Let us embrace a prosperous future.