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OPINION

Why California's Bid to Legalize Undocumented Immigrants Works

Proposed bill would increase size of market and tax revenue.

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State immigration laws usually offer more enforcement, rules, and regulations that exacerbate the effects of our already-restrictive immigration laws.

This time, California is making an exception. A new California law, AB 1544, proposed by Assemblyman Manuel Perez, D-Coachella, and originally coauthored by Assemblywoman Linda Halderman, R-Fresno, who has since removed her support, sets up a state work permit (subject to federal approval) to legalize many unauthorized immigrants in California.

Unauthorized immigrants make up the majority of farmworkers in California, as they do in many other states. Many unauthorized immigrants also labor in the service, light manufacturing, and food-preparation sectors. Native-born Americans would have to take a big pay cut to work in these industries, something most are not willing to do.

Bringing these workers into the legal market will help California's economy and, consequently, expand the tax base. California's proposed immigration law will expand the size of the market rather than shrinking it, as immigration laws in Alabama, Arizona, and Georgia have done.

Intractable deficits are forcing Californians to rethink how they deal with unauthorized immigration, just as the desire for taxing alcohol—not a sobering realization that banning alcohol was a failure—was the straw that broke the back of Prohibition in 1934.

During the Great Depression in the 1930s, the federal government faced problems similar to the ones California is confronting today. Plummeting tax revenues, massive government spending sprees under President Hoover and President Roosevelt, and already-high tax rates put the government in a bind. How to raise revenue? Like so many answers, this one lay in the bottom of a bottle.

Prohibition of alcohol became law in 1920 largely because of the offsetting revenue from the income tax. In 1913, the last year before the federal income tax became law, about a third of federal revenue came from taxes on alcohol. When the income tax provided an unexpectedly huge boost to government revenues, the government could ban alcohol and deny itself the tax revenue. Deficits during the Great Depression changed that thinking.

Arizona reacted to its budget problems by passing its own restrictive, and now infamous, immigration enforcement law in 2010 as a way to save money. By the end of that year, the state's budget shortfall was 38 percent greater than the previous year. Arizona's budget deficit narrowed in 2011, but it was still 39 percent of the general fund. The supposed savings never materialized.

Arizona's immigration law likely made the budget situation worse by driving numerous unauthorized immigrants to other states or into Arizona's cash-only economy where direct taxes are seldom paid. The money saved by not providing welfare benefits was minuscule in comparison to the loss of revenue.

Most studies conclude that the fiscal effects of immigration are moderate, especially when immigrants' American-born children are taken into account. Only the welfare state could make something so obviously beneficial as more people seem like a burden.

The proposed California immigration law, if passed, could legalize hundreds of thousands of unauthorized taxpayers—pardon me, immigrants. Most immigrants already file tax returns, but legalization will increase their incomes and, hence, their tax payments just as it did after the 1986 amnesty. California's law could be made better by denying welfare benefits for longer periods of time to unauthorized immigrants and allowing more to apply for work permits.

This proposed immigration law won't fix California's budget woes, but it will raise revenue and increase economic efficiency. It's not often that legislators can claim that. When backed into a fiscal corner, governments usually make terrible decisions. such as raising taxes, nationalization, or the curtailment of other liberties. California's proposed immigration liberalization could be the exception that proves the rule.

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