

The New York Times

Immigration and Fiscal Policy

By Annie Lowrey – June 26th, 2013

An overhaul of immigration law would reduce the federal deficit. That's the conclusion of a broad range of studies, from the libertarian Cato Institute to the conservative American Action Forum to the liberal Center for American Progress. Wait, it would really increase the deficit. That's the analysis of the Heritage Foundation and the Center for Immigration Studies. But hang on a second. Immigrants have little impact on the federal deficit. That's what the Organization for Economic Cooperation and Development thinks.

Needless to say, the impact of immigration on the budget is a complicated question, and a subject of lively debate. In no small part, that is because economists disagree on what to measure. The effect of pending legislation, or of current immigration? All immigrants or just undocumented immigrants? By household or by individual? In one fiscal year or over a lifetime? Different metrics produce different results.

That said, economists broadly agree that immigration is great for the earnings and productivity of the immigrants themselves, and that it often has a net benefit for the whole economy, even if there are winners and losers. (That's called the "immigration surplus.")

The immigration legislation currently under consideration would likely have a positive fiscal impact, reducing the deficit by hundreds of billions of dollars. According to a recent report from the nonpartisan Congressional Budget Office, the Senate bill would slash the deficit by \$200 billion over the next 10 years and \$700 billion for the decade after that. (As a share of the overall economy, which is likely to exceed \$400 trillion in the next 20 years, that is fairly trivial.) The deficit reduction would come from both increasing spending and increasing revenue. Over the course of a decade, the government would pay out an additional \$262 billion on programs like Medicaid, but it would see its revenues go up by \$459 billion, too.

It is worth noting that legislation bars certain immigrants, such as undocumented workers who would win provisional status, from receiving a broad swath of government benefits for years. That helps keep the bill's costs down. It's also worth noting that the C.B.O. thinks the broad economic impact would be significant, increasing the size of the labor force, raising average wages in the long term, bolstering capital investment and increasing productivity. Ultimately, the bill would increase real economic output by 3.3 percent in 2023 and 5.4 percent in 2033, the C.B.O. thinks.

Among the others who have examined the issue, the O.E.C.D. study looked at the impact of immigration on the fiscal situation across a range of wealthy nations over a decade, and found it to be negligible. But it did say that conditions in the United States, such as a younger immigrant base and more limited public benefit programs than European countries, made it more likely to experience a net fiscal gain from immigration.

The Heritage Foundation analysis, in contrast, contends that newly legal immigrants can be expected to benefit from a wide variety of public services (not all attributable to the federal budget) that will far outstrip the immigrants' tax payments. Though it says that in an interim period, "tax payments would increase more than government benefits," the conservative research group predicts that the ultimate availability of means-tested welfare and medical benefits to immigrants who currently lack legal status would incur a net fiscal cost of \$106 billion a year, along with a net burden of \$160 billion a year in Social Security and Medicare costs when the immigrants retire.

In terms of state and local budgets, there is no good estimate of the impact of an immigration overhaul. In its recent report, the C.B.O. noted that the "influx of new immigrants would cause state and local governments to experience both greater demand for services and an increase in revenues, potentially affecting their budget balances." But it said it had not analyzed the full effects. Prior local or regional studies of immigration, or of changes to immigration law, have found both positive and negative fiscal impacts, again largely depending on what and how economists chose to measure.