

The Philadelphia Inquirer

Immigration's clear benefits

By: Alex Nowrasteh – May 13, 2013

As the Senate considers a comprehensive immigration reform package, fiscal conservatives are riven on the budget effects of the legislation. The Heritage Foundation has released a study claiming an immigration amnesty will cost the U.S. Treasury \$6.3 trillion. Many other free-marketeers - of which I am one - decry that report's methodology as ignoring the economic growth effects and resulting tax revenues of open immigration.

While the Senate bill is not perfect, it's an improvement over the current immigration system - but the Heritage study's gargantuan price tag does not hold up in the face of ample evidence of the economic benefits of immigration.

The Congressional Budget Office plans to "dynamically score" the fiscal impact of the Senate's bill. This is a major win for rational analysis of any legislation, and something that free-marketeers have pushed for years - including analysts at Heritage.

A proper dynamic score will capture the economic benefits and analyze their impact on tax revenues - not just taxes paid by immigrants, but by Americans who become more productive because of reform. More immigration will increase the size of the economy by adding more workers and entrepreneurs, which will then increase the amount of capital and construction, thus boosting gross domestic product. That larger economy will then increase tax revenues, all else remaining equal.

But how much bigger would the economy be?

A 2009 study prepared for the Cato Institute employed a dynamic economic model called USAGE to estimate the economic change caused by immigration reform. It found that a bill similar to that proposed in the Senate added \$180 billion to U.S. household income a year.

Another paper commissioned by Cato employed a similar analysis using a model called the GMig2. The study found that immigration reform would increase U.S. GDP by \$1.5 trillion in 10 years.

That model also ran a simulation in which all unauthorized immigrants were removed from the U.S. economy - a policy favored by Heritage's study. The result was a \$2.6 trillion decrease in estimated GDP growth over the same decade, confirming the commonsense observation that removing workers, consumers, investors, and entrepreneurs from America's economy will make us poorer.

The Cato studies provide dynamic tools that count the unambiguous economic gains from increased immigration as part of any reform. The consensus among economists is

that immigration is good for the vast majority of Americans and the immigrants themselves, and makes both the U.S. and world economies larger and more productive.

A Reagan-era amnesty confirms that legalized immigrants experienced wage increases of up to 15 percent just by working legally. Those higher wages are a result of more productive workers who then pay higher taxes. But employers, shareholders, consumers, real estate owners, and most workers also see their incomes and productivity increase from immigration.

If conservative opponents of immigration reform are honestly concerned about its fiscal impact, let's see their suggestions for minimizing that. Here is one: Reform the welfare state and wall it off to noncitizens. Cato will soon release a policy analysis detailing specific legal changes that would achieve that goal.

Dynamically scoring the fiscal and economic impacts of immigration reform will reveal what free-marketeers have known all along: Peaceful and healthy people are a boon for the economy and don't bust government budgets. Heritage has a proud tradition of pushing for dynamic scoring of tax proposals. It's unfortunate that it neglects its intellectual heritage here.