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Immigration Out of Sight

Ignoring immigration policy does no favors for the U.S. economy.

President Obama continues his quiet retreat from a campaign pledge to make comprehensive immigration reform "a top priority in my first year as President." Following a summit meeting in Guadalajara last week with the leaders of Mexico and Canada, Mr. Obama said that an immigration overhaul will have to wait until next year.

Mr. Obama has followed the Bush Administration's second-term strategy of tightening the border and punishing employers who hire undocumented workers, even unwittingly. What to do about the estimated 12 million illegal aliens here has gotten short shrift, as have guest-worker proposals that would create more legal ways for foreign workers to enter the country, reducing incentives to sneak in.

A new study published by the Cato Institute finds that the focus on repelling immigrant labor does more harm than good to the U.S. economy. "Increased enforcement and reduced low-skilled immigration have a significant negative impact on the income of U.S. households," write Peter Dixon and Maureen Rimmer, the study's authors. "In contrast, legalization of low-skilled immigrant workers would yield significant income gains for American workers and households." A program that allowed more low-skilled foreigners to enter the U.S. workforce lawfully would put smugglers and document-forgers out of business, explain the authors. "It would also allow immigrants to have higher productivity and create more openings for Americans in higher-skilled occupations."

Using a dynamic economic model that weighs the impact of immigrants on government revenues and expenditures, the study seeks to quantify the benefits of comprehensive immigration reform versus the enforcement-only approach. It finds that legalizing the entry of more low-skilled immigrants would result in economic gains of about \$180 billion annually to U.S. households. A focus on more enforcement alone would not only result in an annual net economic loss of around \$80 billion, say the authors, but fewer jobs, less investment and lower levels of consumption as well. "Modest savings in public expenditures would be more than offset by losses in economic output," says the report.

The common assumption is that low-skilled Latino immigrants are displacing U.S. natives and driving unemployment. The reality is that these immigrants don't tend to compete directly with natives. They more often take positions in the U.S. labor market that go unfilled by Americans, who are increasingly more educated and have better job opportunities.

Between 1960 and 2000, working-age native-born U.S. residents without a high school degree fell to 12% from 50% of the population. The general rise in U.S. educational attainment means low-skilled immigrants hold the kind of jobs that might not otherwise exist or would have to be filled by an American overqualified for that work. This would not only increase the costs of some goods and services but also decrease the overall productivity of U.S. workers. Immigrants let the U.S. use its human capital more productively.

Rattled by the recession, the President is hesitant to move on any form of legalized status for the undocumented, let alone a guest worker program for future labor flows. But re-enforcing the deeply flawed immigration status quo, rather than reforming it, isn't doing the economy any favors.

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