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What Would Milton Friedman Say?

Immigration opponents often try to claim the famed economist as an ally. They're mistaken.

By: Stephen Moore – May 30, 2013

One of the fascinating sideshows of the immigration debate within the Republican Party and the conservative movement is the debate about where the late Nobel Prize-winning economist Milton Friedman stood on the issue. The blogosphere is abuzz with varying interpretations of what Friedman thought about the impact of immigration on the economy.

Quoting the most-revered champion of free-market economics since Adam Smith has become a little like quoting the Bible: There are sometimes multiple and conflicting interpretations. So it is that both sides of the immigration debate are invoking Friedman to bolster their position on the current immigration bill.

Earlier this month when the Heritage Foundation released a study on the multitrillion dollar economic costs of the immigration bill, its new president, Jim DeMint, wrote in the Washington Post: "The economist Milton Friedman warned that the United States cannot have open borders and an extensive welfare state."

Sure enough, Friedman did say this sort of thing on multiple occasions. He once declared in a speech easily accessible on YouTube that: "It is one thing to have free immigration to jobs. It is another to have free immigration to welfare. And you cannot have both." Indeed, he was convinced that what some refer to as open immigration and others refer to as open borders was "incompatible" with a large welfare state.

In 1988, I attended a small lunch with Friedman and the economist Julian Simon, who had a mutual admiration for each other's work. But the two locked horns on this issue. Simon, who had recently published "The Economic Consequences of Immigration," argued that the bigger the welfare state, the greater the case for more immigration because immigrants use less in income-transfer programs than the native born and thus subsidize the cost of the welfare state. Friedman was not convinced.

But Friedman was unquestionably pro-immigration. In 1984, when I was working at the Heritage Foundation, I surveyed the top 75 economists in the country on their views on the economics of immigration. There are few issues that economists agree on so universally: The views of the Keynesians and free marketers ran equally about 9 to 1 in favor of immigration.

Friedman responded to the survey by saying that "legal and illegal immigration has a very positive impact on the U.S. economy." He believed that one of the most powerful forces of freedom was that people could "move across borders and vote with their feet." He wholly rejected the idea that immigrants are undesirable because they compete with

Americans for jobs and lower wages. The free enterprise system, he argued, "created the high wages in the first place."

Friedman also had an unorthodox opinion of illegal immigration that many of the restrictionists who are so eager to cite him might find troubling. "Look, for example, to the obvious, immediate and practical example of illegal Mexican immigration," he said in "What is America?" a 1978 lecture available on YouTube. "Now that Mexican immigration over the border is a good thing. It is a good thing for the illegal immigrants. It is a good thing for the United States, and it is a good thing for the citizens of the country."

Then came this zinger: "But it is only a good thing if it is illegal." Why? Because the illegals "don't qualify for welfare and social security" and other government benefits.

His point was that as long as immigrants are attracted to the U.S. for jobs and economic opportunity, they are contributors—but not necessarily so if the welcome mat comes with government benefits that are paid for by taxpayers. If they cannot gain access to the entitlement state, Friedman said, the country benefits.

The 1996 welfare reform, signed into law by President Bill Clinton, imposed tight restrictions on welfare benefits for new immigrants. Welfare caseloads among the foreign born fell by half, although some of those rules have been eroded—for instance, by ending some of the work requirements—under President Barack Obama, whose economists believe that welfare is a fiscal stimulus.

Republicans and conservatives might want to coalesce around a position of tight welfare and generous immigration rules. That is something Milton Friedman would no doubt regard as the ideal outcome. As another late great economist—William Niskanen, a member of President Reagan's Council of Economic Advisers and chairman of the Cato Institute—once put it: "Better to build a wall around the welfare state than the country."

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