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## In Reckoning a Law's Cost, Final Score Unclear

Official scorers of federal legislation gave backers of an immigration bill support by finding that the proposed law would boost the economy. But for some, the CBO was once again projecting too much confidence.

By Carl Bialik – June 29<sup>th</sup>, 2013

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The official scorers of federal legislation gave backers of a sweeping immigration bill major support with the recent finding that the proposed law would cut the deficit and boost the economy. The Senate voted Thursday to approve the legislation, 68-32, with the House of Representatives still to vote on it.

But to some critics and even some supporters of the bill, as well as independent economists and policy analysts, the precise forecasts made by the Congressional Budget Office of the bill's fiscal and economic impact are fresh signs that the agency projects too much confidence. A little humility could go a long way toward boosting its credibility, they say.

For example, the CBO says that in 10 years, the immigration bill—which is expected to expand the flow of immigrants into the country and provide a path to citizenship for those who have already come illegally—would, if enacted, lift gross domestic product by 3.3% in a decade and by 5.4% in two decades. Allowing for wiggle room, though, the CBO says the 20-year boost may be as small as 5.1% or as big as 5.7%.

“The actual effects could be well outside CBO's ranges,” the report said. But the agency doesn't say by how much. And for other numbers, such as the effect on the federal deficit, it doesn't provide any range.

That modest admission of potential fallibility doesn't come close to reflecting the true uncertainty of long-run economic forecasts, economists say. Even the CBO's one-year and five-year estimates for the budget surplus or deficit are frequently inaccurate. Yet the CBO's immigration numbers were cited in many media reports as certain predictions.

Jacob Kirkegaard, a senior fellow at the Peterson Institute for International Economics in Washington, said all he takes from the report is the net effect of immigration is likely to be positive. “I wouldn't put too much faith in the validity” of the specific estimates, he said.

The CBO took into account some factors that will affect how a new immigration regime plays out, like the mix of ages and skills of immigrants who enter as a result of the law. But even these calculations are based on projections, essentially educated guesses based on past immigration patterns and the law's likely effects.

The Cato Institute, the libertarian think tank, generally supports the same goals as the law's backers. But Cato immigration-policy analyst Alex Nowrasteh said he had been unable to learn many details of the CBO estimates. "They have a black box," he said.

A CBO spokeswoman declined to comment, citing an agency policy that its reports should speak for themselves.

The agency is in a tough spot. Its purpose is to give Congress a quick take on how a law would affect the nation's finances, and occasionally to assess broader economic impact. But, unlike private forecasters, it is constrained by rules on what can and can't be taken into account. For instance, the CBO assumes existing laws will prevail, or expire as scheduled, even if the political reality likely is different.

The CBO also faces risks if it specifies just how much uncertainty there is in its numbers: Any partisan might find and wield a CBO figure he likes. Even the immigration report, which generally lends support to the bill and has little acknowledgment of uncertainty, has yielded fodder for opponents, such as that average wages will fall for part of the period studied by the CBO.

The CBO report "is very hard to argue with, and that's not an accident," said Robert Rector, a senior research fellow at the conservative Heritage Foundation, as the precise numbers and scarcity of detail on methodology lend the report an air of certainty.

Mr. Rector happens to think the CBO is wrong, or at least leaves out many of the costs of expanded immigration. In a Heritage report last month, he and a co-author estimated a path to citizenship for undocumented immigrants, which the think tank opposes, would cost the U.S. \$6.3 trillion over the next 50 years.

Many critics of the immigration bill have cited the \$6.3 trillion figure as applying to the bill as a whole. But as Mr. Rector says, his study doesn't cover other aspects of the bill that would lead to expanded legal migration. Many economists say these immigrants, many of them high-skilled, will pay more in taxes than they get in government spending.

There is one thing Mr. Rector's report has in common with the CBO's: His is also tailored to an audience in a way some economists dispute. The \$6.3 trillion in spending isn't discounted to reflect that a dollar today is worth a lot more than a dollar in 50 years. Such discounting could cut half or more from the figure.

Mr. Rector said Heritage typically doesn't account for so-called net present value of long-term costs and revenue.

"At Heritage, we are not comfortable using net present value because it makes costs seem very small to decision makers," he said. "For nine out of 10 congressmen, that's just a smaller number if you do that."