



Cato and the true costs of low-skill immigration

By: Conn Carroll – May 7, 2013

For whatever reason, the Cato Institute has made passage of the Schumer-Rubio amnesty bill one of their top priorities this year. Hence Cato Analyst Alex Nowrasteh's constant hyping of low-skill immigration's benefits while completely ignoring any of its costs. But Cato was not always so one-sided in its immigration scholarship.

In 2012, the Cato Journal published a much more balanced look at Immigration and Economic Growth by UC San Diego economics professor Gordon Hanson. Like Heritage, Hanson found that high-skilled immigrants are a boon to economic growth:

Simply put, high-skilled immigration promotes innovation. An additional benefit is that high-skilled immigrants are likely to pay far more in taxes than they use in public services, generating a positive net contribution to government fiscal accounts. ... Despite many hurdles to their entry, high-skilled immigrants make important contributions to U.S. productivity growth.

Hanson also found some economic benefits to low-skilled immigration, including cheaper servant labor:

One contribution of low-skilled immigrants is to make it possible for high-skilled workers to spend more time on the job and less time doing non-work related chores. ... In a study of immigration's impact on U.S. cities, Cortes (2008) finds that metropolitan areas that have had larger influxes of low-skilled immigrants have lower prices for dry cleaning, child care, housing cleaning, yard care, and other labor-intensive services. Lower prices for these services translate into more hours spent at work for high-skilled workers, particularly among women with a professional degree or PhD.

But Hanson also recognized that low-skilled immigration also has costs, especially for the poorest Americans:

Not all workers in the United States benefit from low-skilled immigration. While employers see their factories and farms become more productive and high-skilled workers enjoy lower prices for goods and services they purchase, low-skilled native-born workers face increased competition in the workplace. Borjas (2003: 1370) finds that during the 1980s and 1990s low-skilled immigration reduced the wages of U.S.-born high-school dropouts by nine percent.

Hanson also looked at the net fiscal effect of low-skill immigration and, like Heritage, he found it to be negative:

Poring over the many recent studies—most of which offer only partial views of immigration’s fiscal consequences and produce estimates that require strong assumptions that are difficult to verify—it does appear that the net fiscal impact is negative (CBO 2007).

Not only does Hanson find low-skill immigrants to be a fiscal burden, he also notes that that burden is not distributed evenly among all taxpayers:

U.S. employers enjoy benefits from immigration, in terms of higher productivity for their operations, while taxpayers pay for the education and health services that immigrant households receive. Taxpayers thus subsidize employers in agriculture, construction, meatpacking, restaurants and hotels, and other sectors that have high levels of employment of low-skilled immigrant labor. A reasonable solution to the current predicament is to eliminate such subsidies by making employers internalize the fiscal cost of immigrant workers. One way of achieving internalization is to subject employers to an immigrant labor payroll tax that would fund the benefits that their immigrant employees, and their family members, receive. Such a tax would make employers bear the fiscal consequences of immigration, releasing taxpayers from the burden and perhaps easing political opposition to immigration.

Unfortunately, the current immigration bill in the Senate takes the exact opposite approach. Schumer-Rubio was written behind closed doors by the U.S. Chamber of Commerce and the A.F.L.-C.I.O. It sets wages for favored industries down to the penny. It creates a new government bureaucracy to centrally plan all future immigrant labor needs. There is nothing libertarian or limited-government about the Schumer-Rubio plan.

It would be nice to hear Cato, and other libertarians, admit these facts.