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Putting out the welcome mat for prosperity

Solving the immigration dilemma would boost U.S. productivity

By: Richard Rahn – May 14, 2013

How many new immigrants should the United States allow each year? How many guest workers? These are not easy questions, which is why there is as much fierce debate within the two parties as between them.

A little history and a few facts are useful in thinking through the problem. The United States did not even have an immigration law until 1875. There were no quotas or passports — people just got on a boat and came here. As a result, America became rich with the highest wages in the world. The system worked fine given that the United States was trying to increase the population (at least, of European origin) and had not yet created a welfare state.

The two main reasons given for restricting current immigration are the myths that immigrants take away American jobs and that immigrants are more likely to go on welfare, thus putting an additional burden on the taxpayers. Rather than taking away American jobs, good economists understand that immigrants who work create wealth in America, which in turn creates more and higher paying jobs for everyone.

To explain the economics of this adequately would take more space than this entire commentary, but the truth of the assertion can be seen in the fact that high-wage countries with many immigrants such as Switzerland, Australia and Canada tend to have much higher labor force participation rates and lower unemployment rates than low-wage countries. It has been well documented that there are not enough Americans who are willing to do labor-intensive agricultural work to meet the needs of, in particular, fruit, vegetable and nut producers. At the other end of the wage scale, the United States has a substantial shortage of people trained in computer science and many of the other physical and medical sciences to meet the demands of employers. If employers cannot bring such needed workers into the United States, they will move their operations to other countries or concede the business to their foreign competitors, either of which will depress U.S. employment.

Do immigrants utilize Medicare, food stamps and other health and welfare programs more than native-born Americans? A recent study by Leighton Ku and Brian Bruen of George Washington University, which is consistent with similar studies, shows that immigrants consistently utilize welfare benefits less than their native-born counterparts. A recent static analysis by the Heritage Foundation concluded that immigrants could be more costly. However, the study assumed that immigrants will fail to move up the economic ladder, and did not account for restrictions in the proposed "Gang of Eight" bill and the benefits of immigration, so the analysis is not relevant for the current debate. What is clear is that immigrants who are working, self-supporting and paying taxes are a net benefit. Laws need to be changed or enforced to make sure that people who are not U.S. citizens do not receive welfare and free medical services (other than in emergencies), including "Obamacare."

Polls show most Americans are in favor of immigrants who come here to work, particularly those who are willing to do jobs that Americans will not do, or those who are highly skilled and add to the competitiveness and productivity of the United States. America would be far poorer today if many of our immigrant ancestors — even the unskilled ones — had not been admitted.

The proposed immigration bill is flawed by having a quota system for guest workers rather than one based on employer demand. If the quota is lower than the demand for workers, then foreign workers and some employers will have a strong incentive to violate the law (as they now do). The push has been to make "our borders more secure," and it is true that more needs to be done. But it is also true that other than by creating a Soviet-style "Iron Curtain" and a police state, our borders can never be totally secure.

Fortunately, Helen Kriebel, a businesswoman who faced the problem of not being able to hire sufficient U.S. workers for one of her operations, came up with a very practical solution to the guest worker problem. Her basic concept has been endorsed by leading economists and political leaders, including Newt Gingrich. She understood that many foreign workers do not want to live permanently in the United States or become citizens. They would prefer to be legal and to be able to go home and come back again without difficulty. Under the Kriebel proposal, a database that matches workers and employers would be created, which would be open to all who need work permits, including those who are already in the country illegally. Employers would have to show that the need is not being met by U.S. workers. An applicant would have to go through a security check, and then be issued a secure photo I.D. (once a job is secured) as a legal worker. This would not be amnesty for those who are in the U.S. illegally, but would enable them to start the process for a green card and possibly, eventual citizenship on an equal basis with those who are applying to come to the United States for the first time.

The beauty of the Kriebel proposal is that it is humane without giving an unfair advantage to existing illegal immigrants. It will add to U.S. prosperity — while greatly reducing the incentives for people to come here illegally.