

Immigration Reform: An Economic Stimulus?

by Phil Leggiere
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Liberal think-tank claims comprehensive would provide \$1.5 trillion boost to economy.

Over the past year Department of Homeland Security Secretary Janet Napolitano has emerged as perhaps the most outspoken proponent within the Obama administration of a comprehensive immigration reform, one balancing a strong enforcement oriented approach with a clearer, more coherent, "fair and firm" pathway toward legal citizenship.

"Our system must be strong enough to prevent illegal entry and to get criminal aliens off our streets and out of the country," Secretary Napolitano said in a policy speech in November, "but it must also be smart enough to reward the hard work and entrepreneurial spirit that immigrants have always brought to America—traits that have built our nation."

In the coming year Secretary Napolitano's role as "point person" on immigration reform within the administration will no doubt make her an even bigger lightning rod of controversy than she already is, as Congress gears up for a deeply fractious, polarized debate on the issue, with little sign of consensus in sight between immigration "hawks" favoring harsher, more punitive enforcement and those arguing for the creation of more accessible pathways to legal status.

One new study

study released late last week by the Center for American Progress (a liberal Washington think-tank) in partnership with the Immigration Policy Center promises to provide new fodder for this impending debate, making an economic case for the benefits of the kind of comprehensive reform being advanced by Napolitano and the administration.

The report, titled Raising the Floor for American Workers The Economic Benefits of Comprehensive Immigration Reform, authored by Raúl Hinojosa-Ojeda, an associate professor with the UCLA Department of Chicana and Chicano Studies, argues that comprehensive immigration reform would yield at least \$1.5 trillion in added U.S. gross domestic product over 10 years.

"Comprehensive immigration reform that legalizes currently unauthorized immigrants and creates flexible legal limits on future immigration in the context of full labor rights would help American workers and the U.S. economy," the report says. "Unlike the current enforcement-only strategy comprehensive reform would raise the wage floor" for the entire U.S. economy—to the benefit of both immigrant and native-born workers.

The report employs what it describes as "a computable general equilibrium model" to estimate the economic

ramifications of three different scenarios: 1) comprehensive immigration reform that creates a pathway to legal status for unauthorized immigrants in the United States and establishes flexible limits on permanent and temporary immigration that respond to changes in U.S. labor demand in the future; 2) a program for temporary workers only that does not include a pathway to permanent status or more flexible legal limits on permanent immigration in the future; and 3) mass deportation to expel all unauthorized immigrants and effectively seal the U.S.-Mexico border.

In these scenarios comprehensive immigration reform generates an annual increase in U.S. GDP of at least 0.84 percent, amounting to \$1.5 trillion in additional GDP over 10 years. It also boosts wages for both native-born and newly legalized immigrant workers.

The temporary worker program, by contrast, generates an annual increase in U.S. GDP of 0.44 percent, amounting to \$792 billion of additional GDP over 10 years. In this scenario wages decline for both native-born and newly legalized immigrant workers.

The third option, mass deportation, the study claims, would reduce US GDP by 1.46 percent annually, amounting to \$2.6 trillion in lost GDP over 10 years, not including the actual cost of deportation. Under this scenario wages would rise for less-skilled native-born workers, but would reduce wages for higherskilled natives, and would lead to widespread job loss.

In addition to its long-term benefits comprehensive reform, the study argues, would have pronounced shorter-term impact as an economic stimulus as well.

During the first three years following legalization, the report claims, "the real wages of newly legalized workers would rise by roughly \$4,405 per year among those in less-skilled jobs during the first three years of implementation, and \$6,185 per year for those in higher-skilled jobs. The higher earning power of newly legalized workers translates into an increase in net personal income of \$30 to \$36 billion, which would generate \$4.5 to \$5.4 billion in additional net tax revenue."

The report assumes that an increase in personal income of this scale would stimulate enough additional consumer spending sufficient to support 750,000 to 900,000 jobs.

"Legalization of the nation's unauthorized workers and new legal limits on immigration that rise and fall with US labor demand would help lay the foundation for robust, just, and widespread economic growth," the report concludes. "Moving unauthorized workers out of a vulnerable underground status strengthens all working families' ability to become more productive and creates higher levels of job-generating consumption, thereby laying a foundation for long-term community revitalization, middle-class growth, and a stronger, more equitable national economy."

The study's findings and assumptions have been quickly countered by groups opposed to what they call "an amnesty agenda." This report is a

mathematical fantasy that defies common sense and years of research," Bob Dane, Communications Director of the Federation of Immigration Reform (FAIR), said in a written rebuttal to the report issued Friday.

"They're peddling amnesty as the new Economic Stimulus Package," Dane said. "It's not. It's the next massive bailout, this time to benefit 13 million illegal aliens, and a wholesale sell out of American workers."

"Just because 13 million illegal aliens could be administratively converted from illegal to legal status doesn't change the fact that most are poorly skilled, undereducated and heavily government dependent," Dane added. "That dependency will continue if they're made legal - in fact it gets worse because they'd get more in tax credits than they put in. Moreover, since they would have legal status, they'd be eligible for even more government benefits than they already have at the federal, state and local levels. Taxpayers will suffer. Flooding the market with more cheap labor and adding millions of government-dependent people is no way to fix our economy."

The report's findings received the endorsement, however, of the libertarian Cato Institute, not generally an ideological ally of The Center for American Progress, which said the results of the study were very similar to those of a Cato study released last August.

The Cato study, titled "Restriction or Legalization? Measuring the Economic Benefits of Immigration Reform," found that a robust temporary worker program would boost the incomes of U.S. households by \$180 billion a year by 2019.

"It is worth noting," Daniel Griswold, Cato's director, Center for Trade Policy Studies, said, "that very different think tanks employing two different models have come to the same result: Legalization of immigration will expand the U.S. economy and incomes, while an "enforcement only" policy of further restrictions will only depress economic activity."