



Expand legal immigration to boost the economy

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A dearth of workers is slowing our recovery from the economic devastation wrought by COVID-19. Overly large unemployment insurance checks, an expanded welfare state and immigration restrictions have reduced the supply of willing workers. There are 9.2 million job openings nationwide and 9.3 million people unemployed. As a result, employers are hiking prices faster than wages and the economy is recovering at a slower pace than it should. Expanding legal immigration is one way to help.

Immigrants will fill vacant jobs and create additional job opportunities for native-born Americans, speeding up the economic recovery in the process. In the parlance of economics, immigrants increase both the supply and demand sides of the economy, which is accomplished in several ways. For example, immigrants are about twice as likely to start a business as native-born Americans are, according to the Kauffman Foundation. They at least employ themselves and, in some cases, others too.

In fact, 45 percent of Fortune 500 companies were founded by immigrants and their children even though they make up a quarter of the U.S. population. And just about every big and successful business started out as a small one. In New York City, for example, immigrants comprise about 36 percent of the population yet are about half of all small business owners. We need immigrants here not only to drive our economic recovery today but because they and their kids will start many of the growth firms of tomorrow.

Immigrants also increase demand by consuming the goods and services made by other workers. This extra purchasing power goes on to fuel local businesses and increases employment opportunities for other Americans. Some recent economics research has even found that each immigrant creates about 1.2 jobs for local workers, most of them for the lower-skilled.

And it's important to remember that immigrants don't take jobs from natives. But immigrants do rent apartments, buy food and spend much of their money in the United States. Some immigrants do send a part of their incomes overseas to their families, but even that money eventually comes back to the United States in the form of exports to those countries.

American economic growth has been slower in the last few decades, partly due to lower population growth. Americans are having fewer children and immigration rates were moderating even before President Donald Trump took office. This is a big problem because countries with shrinking populations don't innovate or grow as much as countries with booming ones.

Fewer people leads to a smaller number of businesses founded, less innovation and fewer consumers to fuel growth. Immigration can help reverse this decline. Reducing unemployment benefits and other welfare payments can also help get Americans back into the workforce. Perversely, unemployment benefits and some welfare benefits pay workers when they don't work, often delaying their re-entry to the workforce.

In fact, teenagers, since they aren't eligible for welfare payments or unemployment insurance, have entered the workforce to an astonishing degree. The teenage unemployment rate was 9.6 percent in May and 9.9 percent in June, lower than at any time since the early- to mid-1950s. Teenagers, however, can't fill demand in the labor market for long — especially when the school year begins in the fall.

Along with hiking prices, some businesses have also increased wages, but the slowdown in immigration can't explain that reaction. In the last decade, Arizona increased immigration enforcement to such an extent that hundreds of thousands of illegal immigrants left the state. But their exit did not raise wages for workers left behind relative to states that didn't pass such laws. A shrinking labor force does not lead to prosperity.

It's clear that immigrant workers, entrepreneurs and consumers can help jumpstart the economic recovery. The Biden administration should do everything it can to increase the pace of legal immigration.

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