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White House Immigration Report Ducks Heritage Foundation Criticisms

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On Wednesday, June 20, the Council of Economic Advisers, President Bush's main economics brain trust, issued a report on the economic value of immigrants. It is evident that the CEA had The Heritage Foundation very much on its mind when it wrote this 8-page essay, because no other group has done so much to focus public attention on the shortcomings of the White House-backed legislation. As Heritage research has detailed, the legislation would grant amnesty to millions of people who broke the law by immigrating illegally to the United States. It would also put in place immigrant labor law that does too little for the high-skill immigrants who add so much to U.S. economic life and far too much for low-skill immigrants who, in many cases, drain public sector benefits more than they add in economic value and taxes.

In its attempt to rebut The Heritage Foundation's critiques of the President and the Senate leadership's immigration proposal, the CEA makes three points:

1. Overall, immigration is a good thing for the economy;
2. Immigrants have a "positive influence" on the fiscal balance of governments at all levels; and
3. Immigrants, even the recent ones, will work hard to fit into American society.

These points are all true, but the CEA reports omits certain crucial caveats that undermine its support of the Senate's immigration proposal.

Benefits of Immigration. As much Heritage Foundation research and commentary explains, it is

true that immigrants generally add to the economy, for most of the reasons that the CEA mentions. The problem today, however, is the amazing transformation of immigration over the past 20 years—from a flow dominated by high-skill workers to the current flood of low-skill, low-educated migrants, many of whom entered the country illegally. Low-skill legal immigrants can bring their often similarly educated and skilled families to the U.S., as well as second and third degree relatives (aunts, uncles, grandfathers, cousins, etc.). These migrants use public services, health care facilities, and schools and pay few taxes that support these public sector activities. The Senate's approach to immigration reform will only make this problem worse.

The odd feature of the CEA report is its silence on this central critique of the Senate's legislation. Hardly anyone disputes that the overall effects of immigration have been positive. Instead, Heritage Foundation research has drawn attention to the naivety of many policymakers in assuming that the historical record of immigration is immigration's future. It may *not* be if the U.S. retains its current immigration policies. Today, there is a rising tide of workers who lack many of the skills and educational attributes needed to contribute at an eco-

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conomic level similar to those who preceded them to this country.

The adverse effect of low-skill immigrants on public sector outlays affects the otherwise valid point the Council raises on the economic benefits of immigration. Because the price of government figures into the prices of labor and capital when the government takes resources from the private sector to use for public services, an increase in the government's draw on these resources means that the economic value of immigrants falls. The "deadweight loss" of government appears nowhere in the CEA's rebuttal.

Fiscal Effects. The CEA argues that immigrants pay their way in the public sector—that is, that the taxes paid by all immigrants cover the government-provided services they use. Of course, the CEA cannot walk away from that point without noting the well-known fact that immigrants with less than a high school degree use more public services than they pay for, but the Council notes that "the estimated fiscal cost from less-skilled workers is far smaller than some commentators have recently suggested based on less satisfactory methods." The implication: Heritage got its numbers wrong.

But the CEA's response is silent on the methods that Heritage analysts employed to arrive at a much larger negative fiscal balance than the \$13,000

offered by the CEA. Heritage analysts estimated the total public sector support for low-skill, low-educated immigrants. Heritage's estimates are larger than anyone else's because no one else has ever attempted such a comprehensive catalogue of the outlays stemming from the immigration of low-educated workers.

Immigrants and American Society. The CEA essay concludes by arguing that the people from all over the world who want to come to the U.S. will be good Americans once here and will work long and hard to fit in.

To help achieve this end, The Heritage Foundation has suggested ways to make immigration policy more supportive of assimilation. Assimilation policy is important, but it is not The Heritage Foundation's principal criticism of the Senate's legislation. Waxing eloquent on the aspirations and hard work of immigrants does nothing to address the serious defects of the current approach to immigration reform.

In the face of tough challenges to the President and the Senate's approach to immigration, the CEA asserts what everyone knows and fails to engage those who criticize their approach.

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