

The Economic Case for an Immigration Moratorium

An Introduction

By EDWIN S. RUBENSTEIN

Too many people. Not enough jobs. This, in a nutshell, is the dilemma facing the U.S. economy. Thus far the federal government has focused on the “not enough jobs” part of the problem, with dismal results. Despite Washington’s cash infusions, bailouts, and stimulus plans, 14.5 million Americans are unemployed today, 5 million more than when the economy collapsed in the Fall of 2008. Many of them will never find work again.

The “too many people” aspect? The government ignores it completely. Yet population growth is at the heart of our economic distress. The economy must create 125,000 jobs every month just to keep up with population growth, which is driven mainly by immigrants and their U.S.-born children.

Meanwhile, immigration policy is working against the American worker. In 2008 and 2009 2.4 million new immigrants (legal and illegal) settled in the United States even though 8.2 million jobs vanished over the same period. Figures for 2010 show the foreign-born working age population is growing five times faster than the comparable native-born population. Nearly three-

quarters of the 1.2 million jobs created in 2010 went to foreign-born workers.¹

Historically, the federal government has done a much better job of reducing the number of job seekers than in creating jobs. The “Great Wave” of mass immigration in the late nineteenth and early twentieth centuries was ended first by World War I and, in the 1920s, by federal immigration legislation. The restrictionist policies capped legal immigration at between 50,000 and 160,000 per year over much of the next 40 years. As the immigrant share of U.S. population fell, economic conditions of ordinary native-born Americans rose. Groups that had been displaced by immigrants — blacks and uneducated whites — were sought after, used, and paid. The distribution of income became less uneven and more egalitarian.

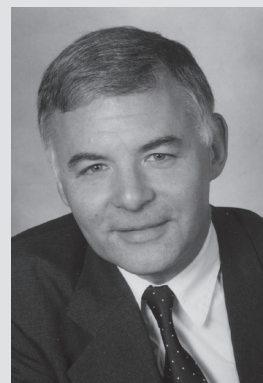
Not until mass immigration resumed in the mid-sixties did poverty, unemployment, welfare dependency, wage declines, and fiscal deficits become a seemingly inevitable part of our economic life. But memories are short. Washington acts as if admitting one million legal immigrants and hundreds of thousands of illegals each year plays no role in the current crisis.

About the Author

EDWIN S. RUBENSTEIN, *president of ESR Research, economic consultants, has 25 years of experience as a business researcher, financial analyst, and economics journalist. Mr. Rubenstein joined Hudson Institute, a public policy think tank headquartered in Indianapolis, as Director of Research in November 1997. While at Hudson he wrote proposals and conducted research on a wide array of topics.*

As a journalist, Mr. Rubenstein was a contributing editor at Forbes Magazine and economics editor at National Review, where his “Right Data” column was featured for more than a decade. His TV appearances include Firing Line, Bill Moyers, McNeil-Lehrer, CNBC, and Debates-Debates. In The Right Data (National Review Press, 1994), Rubenstein debunks many widely held beliefs surrounding the distribution of income, government spending, and the nature of economic growth.

From 1980 to 1986 he was senior economist at W.R. Grace & Co., where he directed studies of government waste and inefficiency for the Grace Commission. From 1978 to 1980 he was a municipal bond analyst for Moody’s Investors Service. Mr. Rubenstein has a B.A. in economics from Johns Hopkins and an M.A. in public finance from Columbia University.



Every economic, fiscal, and social problem we face is negatively impacted by immigration. This report analyzes the benefits of a proposed 40-year immigration hiatus on several of them. Key findings include the following:

Fiscal deficits

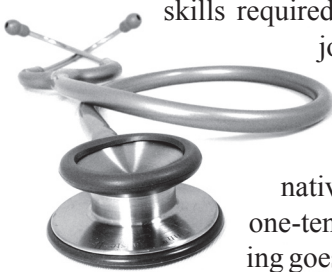
Everyone agrees spending must be cut. But where? Well, not Medicare, not Social Security, not infrastructure. After years of railing against government spending, the Republican leadership hasn't named a single specific program they actually want cut. Our research shows that immigrants receive more benefits than they pay in taxes, i.e., they worsen the deficit problem. An immigration moratorium would cut future deficits by hundreds of billions of dollars without cutting benefits to natives or immigrants already in the country.

Social Security

It is sometimes said that immigration can “keep America young” and help “save” Social Security. There is a grain of truth to the first part: new immigrants are usually younger than natives and have larger families. But — surprise, surprise — immigrants grow old at the same rate as natives. Over the proposed 40-year period the median age of U.S. residents will rise nearly as fast under current immigration policies as under a moratorium. Similarly, the assumption that illegal immigrants will not collect Social Security — and that their payroll tax payments will be available to finance benefits for natives — is unrealistic. Many illegal immigrants are likely to become Social Security pensioners after retirement.

Medicaid

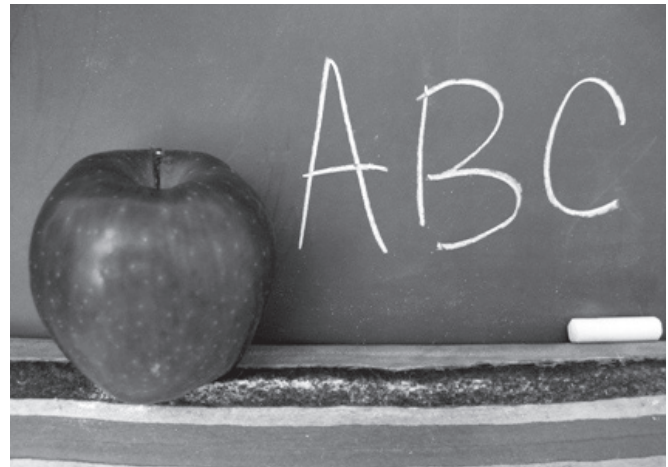
The most expensive anti-poverty program, Medicaid, finances medical care for uninsured poor families with children. Because most immigrants lack the skills required for middle-class jobs — jobs that provide health insurance coverage — they receive Medicaid at greater rates than natives. We estimate that about one-tenth of all Medicaid spending goes to immigrant households. By mid-century, if current immigration policies remain in effect, that share will rise to 14 percent. A 40-year moratorium would cut the immigrant share by nearly two-thirds, to roughly 5 percent. President Obama's health care reform expands Medicare eli-



gibility to millions of “near poor” households — a disproportionate share of them headed by immigrants.

K-12 education

In recent decades immigration has accounted for all the rise in public school enrollment. Today nearly one of every five pupils enrolled in U.S. public schools — about 10 million students — is either an immigrant or the U.S.-born child of an immigrant. This total includes an estimated 1.1 million illegal immigrant children. A moratorium will impact school enrollment more than it will population. That is because the group most affected by immigration policy — Hispanics — account for a disproportionate share of school enrollment. K-12 spending will be nearly \$300 billion (2008 dollars) below the level needed in 2050 under current immigration policy.



More importantly, the quality of education available to native students would be enhanced as personnel and resources now devoted to non-English speaking immigrants are mainstreamed.

Infrastructure

While president-elect, Barack Obama announced a massive public works effort that he said “*will mean 2.5 million more jobs by January 2011.*” Two years, and two infrastructure programs later, there are no demonstrable benefits. No one should be surprised: the first beneficiaries of federal construction programs are lawyers, bureaucrats, and environmental impact consultants. Once the legal and regulatory barriers are met the money filters down to politically well connected contractors. They have the personnel and the equipment — and will bid on the federal contract. But these companies are already working on existing projects. They will get to the new project when they get to it. Yes, our infrastructure is in bad shape. But if money was the problem, there would be no problem. Infrastructure spending

cannot keep pace with the demands placed on it by population growth. A moratorium could help close the gap between the infrastructure demand and supply.

Wages

If immigration continues at current levels, new immigrants and their children will account for *all* U.S. labor force growth between 2010 and 2050. The resulting wage loss to natives and earlier immigrant cohorts will occur regardless of whether the new arrivals are legal or illegal, temporary or permanent. By contrast, a 40-year moratorium will reduce the immigrant share of the labor force and raise native wages. We project workers in Nevada, Georgia, Maryland, and New Jersey will experience the largest percentage wage growth under a moratorium.

Population growth

Under current immigration policy, immigrants and their U.S.-born children will account for about 80 percent of U.S. population growth between 2010 and 2050, according to the Census Bureau. A 40-year moratorium on new immigrants would reduce 2050 population by 116 million, or 26 percent, below the level that would have been reached under current policy. Instead of 439 million, U.S. population in 2050 would be 323 million. In three states — Florida, Texas, and California — a moratorium will reduce 2050 population by 10 million below current policy levels.

Demographic change

Hispanic and non-Hispanic minorities will be in the majority in 2050. Even if no new immigrants are allowed in, the minority share of U.S. population will rise because non-white mothers (immigrant and native alike) will give birth to more children than their white counterparts. A moratorium, however, will enable white, non-Hispanics to retain their majority status past mid-century. Bottom line: a moratorium will slow, but not halt, the Hispanicization of the population.

The Great Recession is over. Economists say it

ended in June 2009 when the U.S. economy started to grow. Immigration undoubtedly helped turn things around: more workers and more people mean a larger GDP. But the vast majority of native-born workers are worse off now than they were before the recession. Their wages are lower; their taxes are higher.



The primary beneficiaries of immigration are the immigrants themselves and their corporate employers, whose profits soar when they replace natives with low wage foreign-born workers. This startling juxtaposition — of greatly increased overall wealth and the nearly total failure of poorer and middle-class American natives to benefit from it — is the great economic fact of our time.

Immigration policy follows the money — money spent by businesses and well-heeled special interest groups lobbying Congress for amnesty and higher legal inflows. They have the economic power. But we have the knowledge. Knowledge is power. By exposing the economic downside of mass immigration — and the benefits of a moratorium — we just might push Washington into doing the right thing. ■

Endnotes

1. Bureau of Labor Statistics, *The Employment Situation – December 2010*, February 7, 2011. Table 7. <http://www.bls.gov/news.release/pdf/empst.pdf>