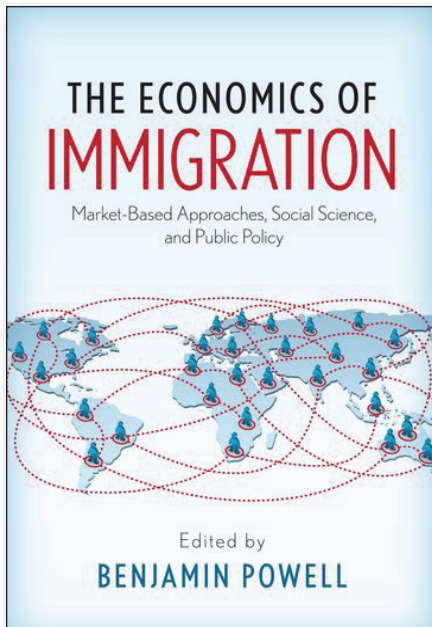


# THE ECONOMICS OF IMMIGRATION

Market-Based Approaches, Social Science, and Public Policy

EDITED BY BENJAMIN POWELL



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## Book Highlights

- **Immigration policy, like the issue of war and peace, is one of vital importance to millions of lives across the globe.** Over 600 million adults—14 percent of the world adult population—wish to permanently move to another country. Over one billion want to seek temporary work abroad. These people, along with the countless non-immigrants also affected by cross-border movement, deserve due consideration that is cognizant of the best empirical research available and the moral teachings of the world's leading ethical traditions.
- **If everyone could migrate to their country of choice, the population of many nations would be utterly transformed.** Haiti would lose half its population. Australia, Singapore, and New Zealand would more than double. Even the United States—the first-choice destination for over 100 million adults—would grow by 60 percent. While many worry that a surge of such magnitude would harm both the “sending” country and the “receiving” country, the opposite may be true: large numbers of economically empowered immigrants would remit more money to relatives back home, and the non-immigrants would enjoy access to goods and services made possible by the larger labor force.
- **Allowing more immigrants into developed nations would dramatically increase the wealth of the world's poorest citizens—and also that of the world economy.** Economists estimate that the complete removal of immigration restrictions to wealthy countries could add \$50 trillion to \$150 trillion to the world's economy. Letting even just 5 percent of the people from the poorest economies to move to richer ones would increase the world's global “GDP”—the value of total final output per year—by more than would lifting all barriers in trade and capital flows.
- **Immigrants are not a major fiscal drain on the federal treasury.** Reasonable scholarly estimates take into account the dynamic impact of immigration on the tax revenue generation of others, and they sum up the immigrant taxes generated and tax services consumed over an immigrant's lifetime. Some careful studies find a slight fiscal gain from immigration. Others find a slight fiscal drain. But taken together, the estimated fiscal impacts of immigration are clustered around zero.
- **Social scientists disagree about what is a desirable immigration policy. But their disagreements are very different from those heard in popular discourse.** Reflecting this diversity, *The Economics of Immigration* offers a variety of empirically grounded reform proposals for the United States. One recommendation would increase immigrant flows but allocate permits via auction. Another would halve the number of legal immigrants taken in annually while legalizing undocumented immigrants already in the country. A third proposal would adopt a policy of open borders. An entire chapter weighs in on recommendations made by six of the most influential immigration scholars. Nowhere do the policy disagreements stem from common popular myths such as the mistaken notion that immigrants “steal our jobs” or “make us poorer.”

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## Synopsis

Few topics in current affairs are as contentious as immigration. In some parts of the world, the discord has gone beyond mere shouting matches, as people have vented their frustration and anger by throwing rocks or destroying property. Yet despite the controversies, social scientists that study immigration largely agree about its effects, whatever differences they may have about how a nation should change its policies. Their findings, however, are usually buried in academic journals accessible only to other scholars.

Fortunately, readers can now learn the substance of this vast body of research, thanks to the publication of *The Economics of Immigration: Market-Based Approaches, Social Science, and Public Policy*, edited by Independent Institute Senior Fellow **Benjamin Powell**. Not only does the book discern and assess the scholarly consensus (where one exists), but it also does this without encumbering the reader with foreboding social science jargon. Its unique combination of rigor and readability makes *The Economics of Immigration* an invaluable resource for the general public, policymakers, and even academic specialists.

Perhaps the most immediate benefit readers will gain from the book is a stronger ability to root out conflicting generalizations and unsupported claims that politicians and pundits seem especially prone to make during election seasons. Readers who absorb the lessons of *The Economics of Immigration* will be well equipped to dispel everyday myths and to contribute high-quality discussion in the public square.

“It is my sincere hope that this volume can help bring some reasonable dispassionate

discourse to a policy debate that is so often emotionally charged and devoid of decent scientific evidence,” Powell writes. With this book in their hands, no one who spreads misinformation about immigration will have the excuse that reliable sources were out of reach.

*The Economics of Immigration* is designed to make it easy for readers to quickly learn about the aspects of immigration that interest them the most. Part I summarizes and evaluates the literature on immigration and wages, employment, economic growth, government spending and revenues, cultural and civic assimilation, and work visas, with each chapter assessing the strengths and weaknesses of various studies, highlighting the best scholarship currently available, and discerning the overall scholarly consensus on each topic.

Part II moves beyond the realm of “is” and into “ought,” as the chapter authors make a case for their favorite policy recommendations. These include a “market-based” approach designed to improve efficiency, fairness, and economic growth; a “pro-assimilation” approach that would reduce immigration but legalize immigrants who are in the United States illegally; and a “radical” case for an open borders, which draws on moral principles of various philosophical traditions as well as empirical research. The final chapter assesses “pro-immigration” and “anti-immigration” reforms proposed by other prominent scholars.

## Social Science

After Powell’s introductory chapter establishing the book’s context, method, and aims, Part I of *The Economics of Immigration* plunges into the most frequently voiced concerns about mass movement across borders.

Chapter 2 addresses questions about the economic effects of international labor mobility: How does immigration affect wealth creation, commerce, and compensation in the host nations? Does it make developed countries more like the third world? Do newcomers tend to depress the wages of native-born workers? How does immigration affect the countries of origin? Does it create a “brain drain” that impoverishes them? By the time they finish reading **Peter Leeson** and **Zachary Gochenour**’s answers to these questions, readers will know more about immigration’s effects than do all but a handful of scholars.

Many people who might otherwise welcome more foreigners into their country believe that the government provision of social services for newcomers makes immigration a bad bargain for taxpayers. Even the economist Milton Friedman, famous for his advocacy of free markets, once said, “You can’t have free immigration and a welfare state.” But what exactly are the effects of immigration on the fiscal health of the state? In chapter 3, **Alex Nowrasteh** looks at how immigration affects government spending and revenues, welfare, schooling, and Medicaid.

Fears that immigration threatens American cultural and civic institutions are also pervasive. Is this worry well grounded in historical experience? How well do today’s immigrants adapt to American institutions compared to immigrants of previous eras? In chapter 4, **Jacob Vigdor** examines various indicators of assimilation to assess the robustness of American institutions and traditions in response to immigration.

Work visas—both temporary and permanent—are another contentious topic. Countries have handled legal access to their labor market in a variety of ways. What can

we learn from them? In chapter 5, **Alexandre Padilla** and **Nicolás Cachanosky** survey work visa policies across OECD countries in order to discern what works best. Their chapter therefore acts as a bridge from purely factual issues to the realm of value-laden policy recommendations.

## Public Policy

In recent years, immigration reform in the United States has died a thousand deaths in the halls of Congress. If this is because the menu of choices presented to the voting public has consisted only of boring variants of plain vanilla, then the bold proposals in Part II of *The Economics of Immigration* should stimulate the public’s appetite for meaningful reform.

In chapter 6, **Richard Vedder** makes the case for a “market-based” approach to immigration, one designed to achieve the economic benefits of greater immigration while circumventing the political backlash that might block its adoption. Vedder would expand the number of annual immigrant permits to their peak levels in the 20th century, but he would have those permits auctioned off to the highest bidder. But wouldn’t such a policy make legal immigration unavailable to the poorest would-be immigrants? Vedder counters this objection by suggesting ways to integrate currently undocumented immigrants and temporary workers into the auction system.

**Herbert London** is more pessimistic than the book’s other contributors about the ability to “Americanize” immigrants. In chapter 7, he proposes policies he hopes would help newcomers better assimilate. He argues in favor of cutting in half the number of legal immigrants the United States takes

in each year—while legalizing the estimated 11 million immigrants who are currently in the United States illegally. “My opening plea for a ‘grand bargain’ is an offer to combine compassion with hard-headed realism, recognizing that many illegal immigrants who have resided in the United States as taxpayers and law-aiding residents deserve a chance for a pathway to citizenship,” he writes.

The book’s boldest immigration proposal appears in chapter 8—a call for complete open borders put forth by **Bryan Caplan** and **Vipul Naik**. An open borders policy is always best, they argue, because the estimated benefits would overwhelm most of the feared negative consequences. Moreover, they claim, every major moral philosophy argues for the free flow of people across national boundaries.

In chapter 9, **Benjamin Powell** concludes *The Economics of Immigration* by surveying alternative policy perspectives, especially those of six prominent scholars: George Borjas, Paul Collier, and Victor Davis Hanson (who have generally argued against increased immigration); and Gordon Hanson, Lant Pritchett, and Michael Clemens (who have generally supported increased legal immigration). The point isn’t to prove which proposal is best, Powell explains, but rather to show how reasonable scholars can put forth conflicting recommendations despite their overall agreement about the economic effects of immigration.

Given what’s at stake, immigration policy not only merits serious study by everyone who expresses an opinion on the subject but also warrants goodwill toward diverse thinkers putting forth bold reforms in good faith. As Powell writes, “Potential immigrants, our countrymen, and our descendants deserve as much.”

## In Praise of Benjamin Powell's *The Economics of Immigration*

"Benjamin Powell has put together an academic and intellectual tour de force by bringing together some of the most accomplished thinkers on the critical issue of immigration in order to debunk some of the fallacies that obfuscate the current debate and make the pursuit of reasonable policies so difficult today."

—**Alvaro Vargas Llosa**, Senior Fellow of the Center on Global Prosperity at the Independent Institute, author of *Global Crossings: Immigration, Civilization, and America*

"*The Economics of Immigration* is two different books, both of them essential. The first half is a rigorous, hardheaded overview of the best evidence we have on the economic and fiscal effects of immigration. It takes research seriously, but is written in terms anyone can understand. The second half is a rich policy debate, giving fair hearing to sharply opposed views and innovative proposals. It's an adult conversation about a tough issue, mercifully free of partisan flim flam. The world needed a book like this and Powell provided it."

—**Michael Clemens**, Senior Fellow, Center for Global Development

"*The Economics of Immigration* carefully and objectively summarizes what we know about immigration and then challenges us with bold new perspectives on immigration policy. This is an excellent collection and a must-have for anyone interested in the movement of people around the world."

—**Alexander Tabarrok**, Director of the Center for Study of Public Choice and Bartley J. Madden Chair in Economics, Mercatus Center, George Mason University

## About the Author



**BENJAMIN POWELL** is Senior Fellow at the Independent Institute, Director of the Free Market Institute at Texas Tech University, and former President of the Association of Private Enterprise Education. Dr. Powell received his Ph.D. in economics from George Mason University and his Bachelor of Science degree in Finance and Economics from the University of Massachusetts at Lowell. He has been Associate Professor of Economics at Suffolk University, Assistant Professor of Economics at San Jose State University, a Fellow with the Mercatus Center's Global Prosperity Initiative, and a Visiting Research Fellow with the American Institute for Economic Research.

Dr. Powell is the author of more than 50 scholarly studies and the editor of the books, *Housing America: Building Out of a Crisis* (with Randall Holcombe) and *Making Poor Nations Rich: Entrepreneurship and the Process of Economic Development*. He has contributed to numerous volumes, and his scholarly research has been published in such journals as *Public Choice*, *Journal of Economic Behavior and Organization*, *Journal of Private Enterprise*, *Eastern Economic Journal*, *Comparative Economic Studies*, *Human Rights Quarterly*, *Journal of Labor Research*, *Cato Journal*, *Florida State University Law Review*, *Review of Austrian Economics*, and *Quarterly Journal of Austrian Economics*.

Dr. Powell's popular articles have appeared in numerous newspapers, magazines, and web sites, including the *Investors Business Daily*, *Washington Post*, *FoxNews.com*, *Charlotte Observer*, *Orange County Register*, *San Diego Union Tribune*, *Boston Herald*, and many city business journals. He has appeared on shows such as "The Situation with Tucker Carlson" on MSNBC, CNN's "Lou Dobbs Tonight," and Fox Business Channel's "Freedom Watch with Judge Napolitano," and he has debated economic issues on numerous radios shows. His academic research findings have been reported in the *Wall Street Journal*, *Investors Business Daily*, and over one hundred regional papers such as the *San Francisco Chronicle*, *San Jose Mercury News*, and *Miami Herald*.

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