

Why Does Immigration Divide America? Public Finance and Political Opposition to Open Borders

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The benefits and costs of immigration into the United States are distributed unevenly. Immigration makes the US labor force more abundant in low-skilled labor. One consequence has been lower wages for low-skilled US workers. Taxpayers in high-immigration US states shoulder most of the fiscal costs, in the form of higher taxes that pay for public services used by immigrant households. Capital owners, landowners, and employers capture most of the benefits associated with immigration by way of higher factor returns.

On net, the economic impact of immigration on the United States is small. However, small net changes in national income mask potentially large changes in the distribution of income. These distributional changes appear to shape individuals' opinions about US immigration policy.

Individuals are more opposed to immigration if they (1) are more exposed to immigration's labor-market consequences, as are low-income workers living in states with large immigrant populations, or (2) are more exposed to immigration's public finance consequences, as are high-income workers living in states with high immigrant uptake of public assistance. Generating greater political support for open immigration policies would require reducing immigration's adverse effects on the labor-market earnings of and fiscal burdens on US residents.

Political gridlock in the United States regarding immigration policy is making it difficult to address pressing issues related to illegal immigration, such as what to do about the 10 million illegal immigrants living in the United States, and national security, such as how to get immigration authorities and intelligence agencies to coordinate meaningfully with each other.

One strategy to reform US immigration policy would be to change the skill composition of those admitted. By shifting to a system that favors high-skilled immigrants, the United States would attract individuals with high income potential. A **skills-based immigration policy** would help to narrow the wage gap between high-skilled and low-skilled labor in the United States and reduce the fiscal burden on taxpayers. However, these outcomes would potentially diminish well-being in poor countries. The loss of high-skilled labor could have negative effects on poor countries' GDPs and on the performance of their political, legal,

and educational institutions. Also, high-skilled emigrants appear less likely than low-skilled emigrants to remit income to their families at home.

An alternative (but not mutually exclusive) strategy would be to expand temporary immigration programs and to phase in immigrant access to public benefits more slowly over time. A **rights-based immigration policy** would help alleviate the negative fiscal consequences of immigration and steer immigration policy toward meeting US labor needs or achieving other objectives. If immigrants were prohibited from drawing on public assistance for a designated period after entering the country, then the fiscal drain associated with immigration would be smaller. Either policy would implicitly favor immigrants intending to work over those intending to obtain public benefits.

To be effective, any change in immigration policy **must address illegal immigration**. Enforcement at US borders, where immigration authorities currently devote most of their efforts, is ineffective. Despite massive increases in spending on border enforcement since the early 1990s, the inflow of illegal immigrants has not slowed. Enforcement should be focused on the hiring of illegal immigrants. Mandating information sharing among immigration authorities, the Social Security Administration, and the Internal Revenue Service (via either a national identity card or electronic tracking of immigrants' visa status) would permit employers to verify instantly whether a potential employee is a legal immigrant. Such an approach could expand the capacity of immigration authorities to enforce against illegal immigration at workplaces in an effective, unobtrusive, and humane manner.

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