



FEDERATION FOR AMERICAN IMMIGRATION REFORM

AMNESTY AND THE ECONOMY

Myths, Lies, and Obfuscation

A REPORT BY JACK MARTIN, DIRECTOR OF SPECIAL PROJECTS

Recognizing that today's economic conditions and climbing unemployment are a deterrent to any consideration of immigration amnesty legislation, amnesty advocates are trying to persuade the public and Members of Congress that an amnesty for illegal aliens would help the economy. For example, the Immigration Policy Center (IPC) recently issued a report that argues that, "Without comprehensive reform of the immigration system [read amnesty for illegal aliens], our nation cannot experience a full economic recovery."¹ If bold, baseless assertions such as these would win the immigration debate, the debate would be over. This argument spins a fantasyland out of partial and misleading data. Here is how they do it.

ECONOMIC RECOVERY REQUIRES AMNESTY FOR ILLEGAL ALIENS?

The first assertion of the IPC polemic describes a revenue panacea for the government if an amnesty is enacted.

"The 2007 immigration reform bill, which included a legalization program, would have more than paid for itself through increased tax revenue. The CBO and JCT estimated that the Comprehensive Immigration Reform Act of 2007, as amended by the Senate through May 24, 2007, would have generated \$48 billion in new revenue during 2008-2017, primarily through Social Security payroll taxes.

- *The additional revenue would have more than offset the estimated \$23 billion in new "direct spending" on refundable income tax credits and Medicaid during 2008-2017.*
- *The extra revenue would have partially offset the \$43 billion in new "discretionary spending" on immigration enforcement during 2008-2017."*

Read that again. The estimate is that a "legalization" program would cost \$23 billion in direct spending and \$43 billion in discretionary spending for a total cost of \$66 billion and would generate \$48 billion in new revenue. So the difference — a deficit of \$18 billion — "would have more than paid for itself." Moral: stating that down is up does not make it so.

An analysis by the Center for Budget and Policy Priorities of the same CBO projection noted: "The legislation would **increase** the unified federal **budget deficit** by only 'several billion dollars a year' by 2027..."² Although that estimate may understate the net fiscal cost, at least it recognized that it would be a revenue loser, not a bonus for the federal government.

Aside from the wishful thinking about the impact on the federal budget, the IPC ignores the much greater fiscal impact that amnesty would have at the state and local level. The Federation for American Immigration Reform (FAIR) explained this impact with regard to the earlier CBO estimate of the impact of the 2006 Senate amnesty bill:

"An estimate of the fiscal impact at the local level by FAIR identifies a cost of \$70 billion per year by 2020, primarily for education and health care. The \$70 billion annual price tag does not include a number of other likely cost increases for programs such as assisted housing and other social welfare programs."³

In addition, because the formal CBO estimate is for the ten-year period after adoption of the legislation, the estimate focuses on the early effects when the newly legalized aliens currently are precluded by law from using federal welfare programs. Therefore, it does not include the delayed impact. The CBO acknowledged this issue in its report.

"This [the increase in the budget deficit] would happen

because, the net cost of the legislation would grow after 2017, as more of the affected immigrants became eligible for benefits and the per capita cost of benefits rose..."⁴

TAX REVENUE INCREASES?

Amnesty advocates argue that "legalization [read amnesty] would increase tax revenue." In support of that claim, they cite a CBO analysis that concludes that mandatory verification of the work eligibility would decrease tax revenue because it would increase the number of workers in the underground economy. They argue that the opposite — higher tax collections — would result if those illegal workers were vested in their jobs.

The assumption that employers who learn as a result of the verification system that their workers are illegal aliens will continue to employ them but remove them from the payroll and stop deducting their taxes strains credulity. It presupposes that there would be no consequence to an employer who would undertake that kind of subterfuge. Under the law, it would expose the employer to criminal penalties. For perspective, consider the prosecution against the kosher meat packing plant, Agriprocessors. According to Immigration and Customs Enforcement (ICE), "*Agriprocessors faces a possible penalty of a fine of the greater of \$500,000 or twice the financial gain for each of the conspiracy, harboring, document fraud, and identity theft charges. On each of the bank fraud charges, it faces a fine of the greater of \$1 million or twice the loss caused.*"⁵ In addition, the owner and several administrative personnel of the plant are facing jail sentences as well as additional monetary fines. This type of enforcement action is a deterrent to employers knowingly employing illegal alien workers, and it makes it improbable that an em-

ployer would raise a red flag by changing payroll practices that would diminish tax withholdings.

Lest employers expect to have less exposure to prosecution for knowingly hiring illegal alien workers under the Obama administration, Homeland Security Secretary Napolitano is on record warning that is not the case. She stated on April 19, 2009, "And then you need to have interior enforcement of our nation's immigration laws inside the country, and that means dealing with the employers who still consistently hire illegal labor."⁶

It should also be noted that a minimum wage worker claiming head of household status and two child dependents has no tax liability and therefore, no withholding. Therefore, even if such a worker were relegated by the employer to under-the-table work for cash, there would be no loss in tax revenue to the Internal Revenue Service. Depending on whether that worker was previously claiming the Earned Income Tax Credit, there could even be a savings for the IRS. Further, the advocates for illegal aliens try to have it both ways. For years they have argued that illegal aliens already pay taxes, but now they argue that if they gained legal status they would begin paying taxes. The fact is that even those illegal aliens who currently pay income and FICA taxes are mostly working in low wage occupations at or near the poverty level. Thus, by filing a tax return using their false Social Security number or their Individual Taxpayer Identification Number (ITIN), they may be receiving checks from the IRS in excess of any tax withholdings. The structure of the tax system turns low-wage workers into a net deficit to the IRS rather than a net asset.

The implications of the tax system and low-wage

workers are two-fold: either increased immigration enforcement would drive more of today’s illegal workers off the books — and that would make them ineligible to apply for refunds because they would have no wages withheld — thereby decreasing the EITC drain on tax revenues, or the adoption of an amnesty would increase the number of those low-wage workers subject to tax withholding, thereby increasing the number of workers potentially able to claim the tax refunds.

Therefore, the IPC argument that adoption of an amnesty would increase federal revenues, and alternatively that increased enforcement against hiring illegal alien workers would decrease revenues, is not only wrong, the opposite is the more likely outcome.

BETTER WAGES AND WORKING CONDITIONS?

The IPC argument also asserts that a newly legalized workforce will be able to wrest better wages and working conditions from their exploitive employers. That argument was made earlier about the 1986 amnesty (Immigration Reform and Control Act) but was proven false. Employers either continued to exploit the newly legalized alien workers or replaced them with other illegal alien workers. Academic research has found that following the 1986 amnesty wages and working conditions deteriorated.

“Since 1986, many studies have examined IRCA’s effects on economic outcomes among Mexican immigrants. Research generally suggests that IRCA led to deterioration in the wages and working conditions of undocumented migrants, but studies have not yet identified the reasons for this change. Possible explanations include intentional discrimination by employers on the basis of legal status; a

shift in employer hiring practices in sectors that employ undocumented workers; increased competition from newly legalized workers; and a general decay of economic conditions after 1986.”⁷

The IPC paper asserts — without citing any source — that by 1992, 38.8 percent of IRCA amnesty beneficiaries had moved to higher paying jobs. Even if this share of amnesty recipients did move to a higher paying job, and this is unlikely — at least in terms of inflation-adjusted, real wages — given the above cited academic research, the claim acknowledges that a large majority (61.2%) of the amnesty beneficiaries either had not moved to higher paying jobs or may have experienced a drop in earnings.

ILLEGAL ALIENS SUBSIDIZE THE SOCIAL SECURITY SYSTEM?

Illegal Aliens Subsidize the Social Security System? Amnesty advocates also argue that illegal aliens who obtain jobs using counterfeit or stolen identity documents contribute Social Security earnings that are withheld but are unable to claim retirement benefits. While this is correct, analysis of this fact demonstrates that the effects of an amnesty would not be a benefit, but rather a fiscal cost.

If the illegal workers received amnesty, they then would obtain legal Social Security numbers and become able to request that any contributions made when they were working illegally be transferred out of the SSA “earnings suspense file” and credited to their new legal Social Security account. Those funds from their illegal work would be then counted towards retirement benefits. The net result would be further erosion of the viability of the current Social Security Trust



Fund. The erosion would come both because those set aside funds would no longer be set aside, and because the social security system is redistributive. Low-wage workers receive much higher payments compared to their contributions than high-wage workers, and amnesty beneficiaries will largely be low-wage workers. That means that instead of the results being a zero-sum, the newly legalized aliens would receive disproportionate benefits compared to their contributions. For example, the beneficiaries of the 1986 IRCA amnesty had a median income of \$15,364.⁸ Thus, half of all amnesty recipients had income lower than that low level of earnings. As the poverty level for a family of four was \$11,000 at that time, many among the amnesty recipients became eligible for welfare benefits as a result of having poverty or near-poverty earnings. More recently, the Pew Hispanic Center reported that, “Poverty rates are much higher among unauthorized immigrants than for either U.S.-born or legal immigrant residents. Among adults who are unauthorized immigrants, one-in-five (21%) is poor.”⁹

ENFORCEMENT POLICIES ARE COSTLY?

Amnesty advocates commonly argue that enforcement policies are expensive and ineffective. For example, the previously cited IPC report claims that immigration enforcement spending has “skyrocketed” while the illegal alien population has risen from 3.5 million in 1986 to 12 million today. They imply, without proof, that the increase in illegal immigration has occurred in spite of the enforcement spending, but disregard the more likely possibility that enforcement spending has increased to match skyrocketing illegal immigration. What they describe as skyrocketing enforcement spending is described in the IPC report as an increase of 332 percent since 1993. But the increase in the illegal alien population has been even greater. Assum-

ing that the current illegal immigrant population stands at about 12 million persons, the number of illegal aliens has jumped by 343 percent. Thus, using the IPC’s standard, the soaring illegal alien population has more than “skyrocketed.”

The insinuation that federal budget savings would result from lower enforcement costs following adoption of an amnesty ignores two important facts.

- First, evidence supplied by decreased apprehensions along the southern border in the past year and a half, predating the economic recession, point to a greater deterrence resulting from the increase in Border Patrol staffing and the expansion of border fencing.
- Second, the increase in enforcement spending is not aimed only at deterring illegal immigration. It also results from a heightened concern about national security since the September 11, 2001 terrorist attacks, and concern about other trafficking, especially drug trafficking, coming across the border. The IPC is not explicit as to whether it would advocate reduced expenditures on border control, but it is clear that the need for border control would not diminish simply because today’s illegal alien population were amnestied. Arguably, adoption of amnesty legislation would increase pressure on the Border Patrol from aliens attempting to enter the country to take advantage of the opportunity to fraudulently gain legal status under the amnesty provisions. There are still today aliens attempting to gain green cards as a result of the 1986 amnesty.

Both to deter future illegal immigration and to maintain national security, immigration enforcement will continue to be needed without regard to the result of amnesty legislation.

DEPORTATION WOULD BE MORE EXPENSIVE THAN AMNESTY?

Amnesty advocates argue that amnesty would be a savings for taxpayers. While any reduction in government law enforcement effort is likely to save money, it is important to recognize that there would be harmful consequences of such a change. Abandoning border and interior enforcement and deportation, would invite a sweeping wave of illegal entry into the country long after anyone currently in the United States obtained amnesty. It would also result in the release of criminal aliens and other lawbreakers onto U.S. streets.

Deportations are not costly for the majority of illegal aliens, who are from Mexico,¹⁰ as they may be put back on the Mexican side of the border. But, the farther they come, the more expensive the deportation. This is the reason to deter them from coming in the first place. The absence of job opportunities coupled with the likelihood of deportation if apprehended is the deterrence necessary to prevent illegal immigration.

AMNESTY WOULD INCREASE THE CONTRIBUTIONS OF IMMIGRANTS?

To support their position, amnesty advocates cite studies that have found that immigrants benefit the economy. This assertion is misleading because these are studies that do not distinguish between legal and illegal immigrants. Legal immigrants in general are more highly skilled and educated than illegal immigrants and, therefore, generally have higher earnings and tax contributions as well as lower use of social services. However, even studies that have found a positive economic impact from immigration in general, like the “New Americans” study issued by the National Acad-

emies of Science, found that the benefit was very small — \$1 to \$10 billion per year — and that the fiscal cost, the greatest share of which is at the state and local level, is greater than the economic benefit.¹¹

IMMIGRATION RAISES WAGES OF MOST AMERICANS?

The Immigration Policy Center paper cites a study that found that immigration correlates with wage gains for U.S. workers with at least a high-school diploma. Once again, the impact of illegal immigration is obfuscated by citing a study that does not distinguish between legal and illegal immigration. Further, even if the study were focused only on the impact of illegal alien workers, the most important impact still would be hidden by the findings. The study’s findings refer to the effect on workers with at least a high-school diploma, and this entirely ignores the greatest negative impact on wages and job opportunities, i.e., on U.S. workers with a high-school diploma or less. These workers constitute the nation’s most economically vulnerable population, and they are the most dependent on social services because of their low earnings potential. As poor as their earnings currently are, their earnings and working conditions are further undermined by competition with illegal alien workers prepared to accept lower wages and conditions.

CONCLUSION

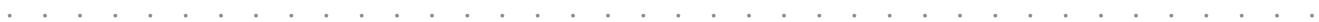
Because of the emphasis on family reunification in U.S. immigration law, newly legalized aliens become able to sponsor immediate family members and later, if they become U.S. citizens, become eligible to sponsor extended family members. This system tends to replicate the human capital characteristics of the sponsors. Thus, an amnesty for today’s illegal alien popula-

tion implies an addition to the flow of poorly educated and poorly skilled immigrants, particularly from Mexico and Central America, which is the source of an estimated 70 percent of the current illegal alien population.¹² For this reason, putting illegal aliens on a “pathway to citizenship” as advocated by amnesty advocates would have the effect of increasing the flow of poorly skilled immigrants at the expense of the highly skilled immigrants who are, in fact, a benefit to the economy.

The arguments put forward by amnesty advocates — such as the Immigration Policy Center — offer no new research, but rather regurgitate research that lumps together legal and illegal immigrant workers in order to give the false impression that illegal immigration is a benefit to the country and would be even more so if they gained legal status through an amnesty. This ignores findings that demonstrate the very different

characteristics of illegal alien workers compared to legal permanent residents. Experience with the 1986 amnesty demonstrates the falseness of the assertion that adoption of an amnesty would transform low-skilled, low-educational-attainment, illegal aliens into skilled, educated workers who would be making high wages and paying higher taxes.

Research in fact documents that the result would be the opposite. Adoption of an amnesty would perpetuate competition for low wage jobs, harm to the nation’s most vulnerable workers, extend reliance on social welfare programs by poor Americans, and increase the number of persons eligible for social assistance. Moreover, granting amnesty to illegal aliens would send the message around the globe that the United States no longer believes in the rule of law and is not willing to punish those who violate it.



ENDNOTES

- 1 "The Economics of Immigration Reform: What Legalizing Undocumented Immigrants Would Mean for the U.S. Economy," Immigration Policy Center, April 2009.
- 2 James Horney, "CBO Estimate Shows the Senate Immigration Bill's Budget Impact is Very Modest," Center for Budget and Policy Priorities, June 6, 2007.
- 3 "CBO Estimate of Senate Amnesty Grossly Understated, Asserts FAIR," FAIR press release, August 22, 2006.
- 4 "Congressional Budget Office Cost Estimate," Comprehensive Immigration Reform Act of 2007, June 4, 2007.
- 5 "Agriprocessors and management criminally indicted: Charges include conspiracy, harboring illegal aliens, aggravated identity theft, document fraud and bank fraud," ICE press release, November 21, 2008.
- 6 CNN TV transcript, DHS Secretary Napolitano on April 19, 2009 "State of the Union" program with John King, (<http://transcripts.cnn.com/TRANSCRIPTS/0904/19/sotu.01.html>).
- 7 Julie Phillips and Douglas Massey, "The New Labor Market: Immigrants and Wages after IRCA," *Demography*, May 1999.
- 8 "Report on the Legalized Alien Population," U.S. Department of Justice, M-375, March 1992.
- 9 Passel, Jeffrey and D'Vera Cohn, "A Portrait of Unauthorized Immigrants in the United States," Pew Hispanic Center, April 14, 2009.
- 10 *Ibid.*, The Pew Center study estimates that 59 percent of the illegal aliens are Mexican.
- 11 *The New Americans: Economic, Demographic, and Fiscal Effects of Immigration*, National Academy of Sciences, 1977.
- 12 Passel, Jeffery "A Portrait of Unauthorized Immigrants in the United States," Pew Hispanic Center, April 2009. It should also be noted that the sponsor of family members is required to demonstrate income at a level at least 25 percent above the poverty level or have a cosponsor who meets that criterion. This level is so low that the sponsor can meet it while still being eligible for means-tested public assistance benefits. For that reason, the eligibility standard does not prevent the immigration of family members who are likely be a net burden on U.S. taxpayer

ABOUT FAIR

The Federation for American Immigration Reform (FAIR) is a national, nonprofit, public-interest, membership organization of concerned citizens who share a common belief that our nation's immigration policies must be reformed to serve the national interest.

FAIR seeks to improve border security, to stop illegal immigration, and to promote immigration levels consistent with the national interest – more traditional rates of about 300,000 a year.

With more than 250,000 members and supporters nationwide, FAIR is a non-partisan group whose membership runs the gamut from liberal to conservative. Our grassroots networks help concerned citizens use their voices to speak up for effective, sensible immigration policies that work for America's best interests.





FAIR's publications and research are used by academics and government officials in preparing new legislation. National and international media regularly turn to us to understand the latest immigration developments and to shed light on this complex subject. FAIR has been called to testify on immigration bills before Congress more than any organization in America.

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