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## ISSUE BRIEF

# White House Report Confirms President Obama's Executive Actions Will Harm American Workers, Taxpayers

By Eric A. Ruark, Director Of Research | January 30, 2015

The White House released a [report](#) touting the economic benefits of the [President's executive actions](#) on immigration. According to them, granting Social Security numbers and work authorization to 5 million illegal aliens and circumventing existing ceilings on [guest workers](#) (often ignored by the media) will “grow the economy.”

The fact that these executive actions are unconstitutional and illegal must not be overlooked when discussing their economic effects. An economy that rewards those who are most willing to break the law is not a sound one. The rule of law is the only basis for sustained prosperity, which is one reason why the past 45 years of unprecedented levels of illegal immigration have corresponded with increasing [income inequality](#). President Obama, having asserted that he is the sole limiting authority on the extent of his executive powers, is now claiming that he can circumvent the economic consequences of his actions by presenting an alternative reality where outcomes are determined by wish fulfillment.

The crux of the president's argument is that immigration grows the Gross Domestic Product (GDP) and this increase outweighs all other considerations. According to the White House, the increase in the GDP will be \$90 billion or 0.4% higher in 2024 than it would have been if the president had not usurped Congress' power to admit immigrants. Of this increase, they calculate, 0.3%, or three-fourths, will come from bringing in more “high-skilled” guest workers. It is true that low numbers of highly skilled immigrants do provide economic benefits, though these benefits are [modest and localized](#) (willingness to work more cheaply than a comparable American worker is *not* a skill). However, far from being the [best and brightest](#), the president's executive actions expand guest worker programs that are already being used by employers to displace native workers.

The corollaries of GDP growth claimed by the president are also exaggerated. Ninety billion dollars sounds like a lot to Americans, which is why the White House is touting it. But it is not a lot when it comes to the total size of the U.S. economy, estimated to be \$18.4 trillion in 2015, and it is erroneous for the White House to claim that this increase benefits Americans when the clear consensus among economists is that *all* increases in GDP would be [split](#) between immigrants and employers of immigrants.

GDP simply measures how big the economy is. That's all it does. To say a man is six feet tall says nothing about his overall health, and to point to GDP growth as *the* measure of prosperity is simply fallacious. Government spending on [benefits](#) for amnestied aliens and support for displaced native workers will far exceed \$90 billion, and will grow the GDP (and the national debt) even more, yet the White House fails to mention this fact.

The White House report reveals how little its authors understand the functioning of an actual economy. At times, the figures they cite serve as refutations of their own arguments in favor of the president's unlawful actions. They proudly proclaim that the U.S. workforce will increase by 150,000 additional jobs over the next *ten years* (15,000 jobs per year) because of the executive actions. This is far less than the working age population grows *every month*. In December 2014, the working-age population grew 183,000; the month previous it grew 187,000.

The unemployment rate has been dropping over the last few years not because there are fewer unemployed Americans but because there are more who are dropping out the labor force and are no longer officially counted as unemployed. The jobs that have been created since the U.S. economy started its "recovery" have been mostly low-wage and part-time –the kind of jobs that illegal aliens compete with Americans for. There are 8.7 million people unemployed and 92.8 million not in the labor force. A paltry 15,000 more jobs a year, even if they were to materialize, would do nothing to alleviate the jobless crisis in America, especially when [all net job growth](#) since 2007 has gone to foreign workers.

The White House relied on the methodology of the Congressional Budget Office's (CBO) score of S. 744, the so-called Gang of Eight immigration bill that passed the Senate in June 2013. Not surprisingly, the president's model predicts that his actions will cause, in ten years' time, wages to go up (a paltry 0.3%, or \$170.00, on average), unemployment to go down, and the deficit to be reduced. However, this is in direct contradiction to what the CBO said about S. 744. It found, instead, that if the bill became law it would cause unemployment to increase until 2020, average wages would be lowered through 2024, and the deficit would be reduced by 2023 only if money dedicated to Social Security and Medicare were put into the general fund – something prohibited by law – thereby bankrupting those programs.

The CBO score, while containing several flawed assumptions, was at least grounded in reality. It recognized that wages respond to the supply and demand of the labor market, and that adding tens of millions more immigrants to the workforce would drive down wages and increase income inequality. Real wages in the U.S. have been [stagnant or falling for decades](#) as the U.S. has experienced the highest levels of immigration in its history. Adding more foreign workers may make the size of the economy bigger but it would also shrink the earnings of the average worker.

In order to bypass this reality, the White House is embracing the economic theory of [complementarity](#), which simply stated means that immigrants *only* do jobs Americans will not or cannot do. This argument is valid only if a small number of immigrants are admitted who have narrowly defined skill-sets that are significantly different from those of U.S. workers. In the White House's crude iteration, complementarity is compatible with mass, predominately low-skilled immigration because immigration has "no impact on the likelihood of employment for U.S.-born workers." That statement flies in the face of all available

evidence, and it contradicts what Barack Obama [wrote](#) in 2006, when he plainly stated in *The Audacity of Hope* that the “huge influx of mostly low-skill workers...threatens to depress further the wages of blue-collar Americans and put strains on an already overburdened safety net.”

Amnesty will not boost the economy, even though it might raise the GDP slightly, because amnesty does not address the underlying weakness of our economy: namely the shortage of well-paying, career oriented jobs. The argument that an amnesty boosts earnings for previously illegal aliens and this therefore “stimulates” the broader economy falls flat when subjected to scrutiny. Most illegal aliens are already making more than minimum wage so only a small percentage would see any earnings increase due to legalization. True, there may be some greater job mobility and that could create a very small bump in the GDP as amnestied aliens gain more bargaining power. It is also true that this may result in greater displacement for native workers, resulting in a loss in GDP and increased fiscal costs of providing for unemployed workers. This only emphasizes the point that the current immigration system grows the economy in such a way that any benefits do not accrue to most Americans.

What the benefits touted by the White House really amount to is an embrace of the “trickledown theory” of economics that the Democratic Party has decried for decades but embraced in policy –as has the Republican leadership. They are supporting an economic system that allows multinational corporations to increase their profit margins by reducing labor costs, and allows multi-millionaires to hire more cooks, nannies, and gardeners because wages are so low. At the same time, what might remain of the middle class suffers the [burden](#) of subsidizing low-wage immigrant labor. This is somehow supposed to benefit Americans because “growth is good.”

If immigrants are increasingly performing jobs that Americans are no longer performing, the solution is not to bring in more immigrants. We need to ask ourselves why there are jobs in America that Americans are reluctant to take; and then we need to figure out a way to change that. Does anyone really believe that immigrants *only* take jobs American’s won’t do? How are President Obama’s immigration policies going to strengthen the middle class, or make young people in [Ferguson, Missouri](#) believe that a brighter future awaits them?

We need to make sure that Americans have incentives to work, and those who do want to work have opportunities. There is no shortage of good American workers. There is a shortage of good jobs available to Americans and immigration, beyond any doubt, contributes to that problem. Our government has helped to create a disincentive for some Americans to work, and the impossibility that many of those who do work can support themselves and their families. What is a good job? One that pays a living wage, allowing a worker to take care of his or her family without having to depend on [government assistance](#). President Obama’s unconstitutional amnesty is only going to make the problem worse, and the report put out by the White House on the “benefits” of executive action on immigration only reinforces that fact.