

# The Economics of Immigration Restrictions

## Immigration Restrictions and Their Effects

- Wages are very low in many populous Third World nations. Tens of millions of people would be overjoyed to come to the U.S. and take what Americans see as "bad jobs."
- Why don't they come? Because it is:
  - Virtually impossible for low-skilled workers to come here legally (unless they already have close family members in the U.S.).
  - Very expensive for low-skilled workers to come here illegally. Smugglers ("coyotes") charge rural Mexicans two *years* income (about \$3000) to take them across the border. Fees for more distant countries are vastly higher.
- Immigration restrictions probably have more effect on labor markets than *all other government policies combined*. They clearly "work" in the sense that they drastically reduce immigration.
- What are the other effects of immigration restrictions?
  - Effect #1: Drastically reducing world output. Immigration laws prevent workers from moving to the most productive locations in the world to do whatever they do best. Rough estimates say that world output would DOUBLE under open borders.
  - Effect #2: Drastically increasing world poverty. Merely moving from a Third World country massively increases workers' income. People from the poorest countries typically gain 1000% or more. One immigrant can keep a large extended family alive back home.
  - Effect #3: Reducing average American income. Low-skilled Americans who don't own a home or other assets may gain from immigration restrictions, but only a small minority of Americans are in this category.
  - Effect #4: Shielding American eyes from the sight of severe poverty. Conditions in many populous Third World countries are awful, so we should expect immigrants to keep coming here even if their living standards seem very low to us. Open borders would drastically reduce global poverty, but make remaining poverty much more visible.

## Arguments for Immigration Restrictions

- All First World countries severely restrict immigration. Economically, however, these policies are a disaster. Why would anyone favor them?
- Argument #1: Immigration restrictions prevent American poverty.
  - Response: The net effect of immigration on Americans' standard of living is probably positive.
- Argument #2: Immigration restrictions protect American taxpayers.
  - Response: Immigrants don't just collect benefits; they also pay taxes. Estimates of the net fiscal effect of immigration vary, but no major study finds a large negative effect on American taxpayers.
  - Implausible? Remember:

- A lot of government spending – like the military and interest on the national debt – is “non-rival.” Immigration means we can average these expenses over a larger number of taxpayers.
- Government spends far more on the old than the poor. Immigrants tend to be young, so even the low-skilled collect a lot less than you’d think.
- Adult immigrants’ own governments have already paid for most of their education, so our taxpayers don’t have to.
- Argument #3: Immigration restrictions protect American culture.
  - Response: Markets provide strong incentives to learn English. The vast majority of second-generation immigrants are fluent. And America’s cultural centers have unusually high foreign-born populations.
- Argument #4: Immigration restrictions protect American liberty.
  - Response: Immigrants are no more than modestly less pro-liberty than natives – and they have low voter turnout. Immigrants also probably reduce native support for the welfare state, because people don’t like paying taxes to help out-groups.

### **Alternatives to Immigration Restrictions**

- Even if the preceding complaints are valid, there are certainly cheaper, more humane solutions than immigration restrictions.
- Immigration and American poverty: If immigrants are reducing the living standards of low-skilled Americans, there’s no need to reduce immigration. We could simply charge immigrants an admission fee or extra taxes, then use the revenue to compensate low-skilled Americans.
- Immigration and American taxpayers: If immigrants aren’t paying their way, we could restrict immigrants’ eligibility for various government benefits.
- Immigration and American culture: If immigrants aren’t learning our language and/or culture, we could make passing grades on language or “cultural literacy” tests a condition of entry.
- Immigration and American liberty: If immigrants are bad voters, we could restrict their right to vote.
- If any of these alternatives to immigration restrictions seem unfair, they’re clearly *less* unfair than preventing people from coming at all.