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BODY:

The law of supply and demand can't be repealed, either by politicians or supporters of illegal immigration. In Economics 101, we learn an increase in supply lowers prices. Wages are the price of labor. Higher wages call forth more labor supply.

To say the continuing influx of low-skilled immigrants willing to work cheaply doesn't depress the wages of workers already here is to deny the basic laws of economics. To say a reduction or slowup in the numbers of illegals competing with legal residents, i.e., a smaller labor supply, wouldn't improve wages and re-employ many who have lost their jobs to illegals also doesn't square with the law of supply and demand.

The re-employment of legal workers at better wages would mean some marginal employers would go under. Also, some of the higher labor costs could be passed on to consumers in the form of higher prices, although such price increases would probably be small and thinly spread.

With higher labor costs, employers would have a greater incentive to invest in technology, which would lower prices and lead to higher standards of living.

The illegal immigrant population continues to rise unabated and now stands at 11.5 million to 12 million, according to the Pew **Hispanic** Center. The debate on illegal immigration in the Congress is heating up. The economic ammunition in the arsenal of those who oppose a guest worker program or amnesty for illegals is also piling up. Here are a few significant findings.

A recent study by Harvard economist George J. Borjas, probably the nation's leading authority on the economics of immigration, concluded that from 1980 to 2000 immigration reduced the average annual earnings of native-born men by \$1,700, or nearly 4 percent. For the poorest tenth of the work force the reduction was much larger, 7.4 percent, traceable to Mexican immigration. Native-born African-Americans and **Hispanics** were also hard-hit, being in direct competition with immigrant workers. Mr. Borjas found even college graduates had their earnings lowered by an estimated 3.6 percent.

Steven Camarota, research director at the Center for Immigration Studies (CIS), looked at native workers in occupations performed by people with a high-school

education or less, about 25 million workers. He estimated immigration reduces the wages of these workers more than 10 percent, with minorities suffering most. A study done by economists for the **National Research Council** also found immigration significantly lowered the wages of high-school dropouts.

President Bush favors a guest worker program that would legalize and hence encourage the continued flow of low-wage immigration. Yet his own Council of Economic Advisers, in its 2005 annual report, conceded immigration negatively affects the wages of those already here, particularly less skilled workers. The depressing effect that the illegal labor supply has on the wages of legal workers won't be mitigated by turning illegals into legal residents.

Under the government's H-1B temporary visa program, employers can hire technical and professional foreign workers, provided they are paid wages comparable to American workers with similar skills in the same occupation and location.

An analysis of the program by John Miano, chief engineer of the software company, Colosseum Builders Inc., found it depressed the earnings of American workers. Despite the program's comparable wage rule, employers have been paying foreigners significantly less than required, undercutting the wages of American workers. Here again we have a program being bent to enable employers to import cheap labor.

Economist Ethan Lewis of the Federal Reserve Bank of Philadelphia recently analyzed the effect of immigrant labor on technology and found manufacturing plants drawing on low-skilled low-paid immigrant workers slowed their adoption of technology. Less investment in technology means lower productivity growth, and in the long run lower wages and standards of living.

Illegal immigrants use more government services than they pay in taxes, which is not surprising since they are predominately unskilled and low-paid.

Mr. Camerota of the CIS estimated the one-year net fiscal cost of illegal immigrant households to American taxpayers at about \$10 billion at the federal level alone. Illegals were estimated to pay about \$16 billion in taxes and cost the government \$26 billion. (About half of illegals are estimated to be paid wages off-the-books.) The largest costs were for Medicaid, food benefits, aid to schools, and use of federal prisons and courts.

Mr. Camerota estimated the cost of illegal immigrant households if a law were passed to make them legal. They would qualify for a wider range of government services and would make greater use of such programs as the earned income tax credit, even though more of their earnings would be reported and taxed. Tax revenue per household would rise an estimated 77 percent, but costs would rise even more, by 118 percent. The net result would be to nearly triple the annual fiscal cost, to \$29 billion.

As illegal immigrants continue to spread throughout the country, more legal workers will lose wages or jobs, and more employers will reap the profits. Working Americans are greater in number but business seems to have more political influence. If the balance is to shift, Americans must become more vocal.

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