

Translating Economics for Immigration Policy

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Howard F. Chang, [The Economics of Immigration Reform](#), 52 U.C. Davis L. Rev. ____ (2018).

Scholarship that translates and connects one discipline to another is a special treasure. The need for this type of scholarship is especially great in immigration law. Immigration law is interwoven with many other disciplines, but immigration law scholars often are so occupied with the extreme complexity and immediacy of the legal discipline that it can be difficult to branch out. I'm selfishly fond of *The Economics of Immigration Reform* by [Howard Chang](#) because it does a great service to those of us who needed a lucid and approachable explanation of the economics behind immigration law reform. Professor Chang explains in detail why immigration restrictionists are wrong when they argue that less immigration makes economic sense. If less immigration is desirable, it is not for economic reasons.

Professor Chang uses economic theory to evaluate recent legislation proposed to restrict legal immigration. Along the way, Professor Chang examines two major economic studies that both concluded that immigration produces a positive fiscal impact, one from 1997 and one from 2017. In the process of using the studies to evaluate proposed limits on immigration, Professor Chang teaches us that the assumptions underlying any economic study affect outcomes.

The [1997 study](#) by the National Research Council (NRC) adopted a baseline, "most reasonable" scenario using one set of assumptions and concluded that an average immigrant had a positive fiscal impact of \$80,000 in net present value in 1996 dollars. The [2017 study](#) by the National Academies of Sciences, Engineering and Medicine updated the NRC study. While both studies produced a range of estimates of fiscal impact based on various assumptions, the 1997 NRC study more definitively adopted a set of assumptions as "most reasonable." The 2017 study did not do that. Even so, the 2017 study still concluded that immigrants have a positive fiscal impact. Using the same set of assumptions recommended by the 1997 study leads to a positive fiscal impact of \$279,000 in net present value in 2012 dollars.

Why did the 2017 study take a more "agnostic" (P. 7) approach about adopting one set of assumptions as most reasonable? Professor Chang states that it "may be a response to the objections raised by the economist George Borjas," (P. 7) who objects to the NRC's "most reasonable" assumptions. Professor Chang is not a fan of the agnostic stance. He believes some of the assumptions allowed by the National Academies study are not appropriate, and he supports the NRC adopted baseline.

The treatment of public goods is one example Professor Chang uses to highlight the importance of examining the assumptions that underlie economic analyses of immigration. The cost of a public good does not rise with the size of the population and use of a public good does not prevent another person from using it. National defense is an example. All government services are not public goods. Services that are congestible, like roads, police services, and libraries, are not public goods. Professor Chang criticizes the National Academies study for presenting estimates of immigrant fiscal impact that treat public goods as congestible services. Professor Chang is not impressed with the National Academies's justification for its presentation of public goods as congestible goods; the justification seems to undercut the concept of a public good, suggesting that public goods could be affected by population size. Even under the National Academies's more conservative assumptions that treat public goods as congestible, however, immigration still produces a net fiscal benefit. (P. 10.)

What about the effect of immigration on the wages of native workers? The more conservative National Academies

study concluded that the least skilled native workers (high school dropouts) may feel more negative effects of immigration compared to others, but that the negative effects tend to fade after 10 years. (P. 20.) As Professor Chang explains, the demand for labor fluctuates. Therefore, immigrants do not arrive and compete for a fixed pot of jobs. Also, native born and immigrants are “imperfect substitutes.” (P. 21.) They often do not compete for the same jobs and complement each other instead. Therefore, immigration does not significantly lower the wages of native workers.

Professor Chang concludes that, based on economic analysis, our immigration laws are unduly restrictive. Adoption of reasonable assumptions shows that immigrants contribute a positive fiscal impact and that immigration restrictions do not significantly lower the wages of native workers. Therefore, if fiscal impact were the only consideration, higher levels of immigration would be the natural policy result.

The reality, however, is that immigration policy is not formulated based on economic considerations alone, and immigration policy often diverges from the rational path. Professor Chang shows us a prime example of this by examining the [RAISE Act](#), an immigration reform bill supported by President Trump. The RAISE Act aims to cut immigration across the board, which would work against economic interest. It also would eliminate pathways for younger immigrants, which is counterintuitive based on evidence that younger immigrants contribute more over the course of their longer lives in America. (P. 17.)

Professor Chang asks a very important question. If immigration is an economic win, “why not liberalize our immigration laws?” As far as economics is concerned, our immigration policies should be liberalized. Professor Chang’s article is helpful in allowing non-economists to understand why that is so and why immigration restrictionists should not be allowed to hide behind economic arguments.

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