The Daily Dish

The Potential of Immigration Reform

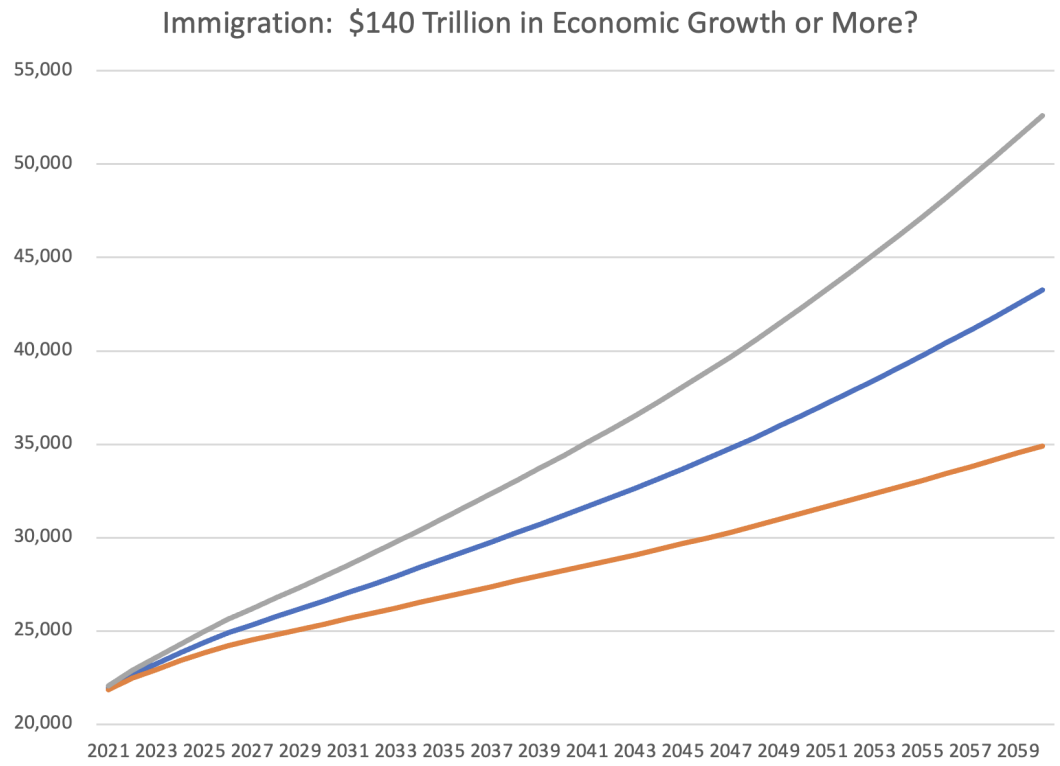
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Eakinomics: The Potential of Immigration Reform

Immigration reform has been bandied about since the very start of the Biden Administration. Indeed, the House has now passed two pieces of immigration reform, the Dream and Promise Act and the Farm Workforce Modernization Act. Both bills offer a path to legalization for certain groups of immigrants by creating new categories and reforming old ones.

But as I argue in a recent op-ed, "legalization should be the first move rather than the final objective. Conservatives have to insist that the core visa system be infused with a vision for growth that builds a globally competitive 21st century labor force. Immigrants already have the higher labor activity rate when compared with native born citizens. They are also more likely to start a business. In fact, nearly 20 percent of self-employed workers in the United States are foreign born. Diverse skill sets and talents from across the world have spawned innovation and job creation in this country for years, despite that under 10 percent of visas are awarded based on economic criteria. Think of the effects of making business central to the decision to award an immigrant visa."

This argument is central to an effective immigration reform. But it is often hard for some to grasp. To illustrate what is at stake, consider the graph (below). It contains three long-run projections of gross domestic product (GDP). The central (blue) line is built off the main population projections by the United States Census, combined with the Congressional Budget Office's long-term economic projections.



The bottom (red) line, however, is the projected GDP under a scenario that has zero future immigration. This has striking implications for the future population of the United States. By 2060, the population is over one-fifth (21 percent) smaller than in the main projection. The reduced pace of population growth translates directly into a smaller labor force, reduced employment and lower national income. The cumulative difference between a United States with immigration and one without is $140 trillion in additional GDP.

But the gain could be even greater. Suppose that visas are granted on the basis of the potential to contribute to the economy (see one example of such a reform here). The result would be greater growth in not only the size of the population, but also its productivity. The top (gray) line illustrates the additional GDP that would result from the additional productivity.

That pro-growth impact is the foundation of conservative approaches to immigration reform. As Congress considers major immigration changes, this potentially bipartisan approach should be on the table.