



The Daily Dish

A Genuinely Pro-growth, Anti-inflation Policy

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One visible fallout from the pandemic recession recovery is the current high rate of inflation. The Fed promises to raise interest rates past neutral for a sustained period in order to restrict the growth of demand in the economy, but warns that there will be pain for households and businesses in the process. The prospect has sent analysts and the public alike in search of ways to expand supply as an alternative approach to reducing inflation pressures.

A second fallout from the pandemic has been a huge hit to population growth, both from even further [declines in fertility](#) and a sharp [dropoff in immigration](#). This exacerbates the loss of labor supply posed by a decline in labor force participation since February 2020. The coincidence of these phenomena raises a question: Can immigration policy be used to (relatively) rapidly expand the labor force and number of workers, and increase overall output without exacerbating inflation pressures?

Enter AAF's Gordon Gray and his new study, [The Budgetary and Economic Tradeoffs of Reducing the Immigration Backlog](#). He points out that: "There are about 8.6 million immigration benefit applications pending before United States Citizenship and Immigration Services, of which 5.2 million are considered part of the agency's backlog." That's pretty tempting. Just snap your fingers and you've got another 5.2 million workers – another roughly 3 percent – to generate goods and services.

Not quite.

United States Citizenship and Immigration Services (USCIS) is responsible for processing applications in the U.S. (legal) immigration system. USCIS's operations were hampered by COVID-19, especially because a lot of its work requires face-to-face contact with the public. Recovering from the backlog produced by the pandemic, as well as dealing with the pre-existing backlog, will require lots more staff. Gray has a number of scenarios, but it turns out that figuratively snapping your fingers costs a little bit. Gray estimates that cost between \$3-4 billion. This also does not literally happen overnight. His paper details the uncertainties, but it looks as though it would take somewhere between two and eight years. And not everyone in the backlog will head straight into a job in the U.S. economy.

Nevertheless, while many of these applications will be economically inconsequential, the elimination of this backlog would nevertheless increase immigration and employment in the United States, with positive economic effects. Gray estimates that it "could contribute as much as \$110 billion per year in additional real gross domestic product; this new national income would likely have a significant and positive budgetary effect over the next decade."

Eliminating the immigration backlog is not a panacea for the problems with the immigration system – real reforms are still needed. Eliminating the immigration backlog is also not a panacea for the labor shortage in the United States. But eliminating the immigration backlog looks like a good, supply-side economic policy that could even save the taxpayer money.