Center for American Progress

The Economic Benefits of Comprehensive Immigration Reform

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A new report, "Raising the Floor for American Workers: The Economic Benefits of Comprehensive Immigration Reform," by Dr. Raúl Hinojosa-Ojeda, finds that comprehensive immigration reform that includes a legalization program for unauthorized immigrants and enables a future flow of legal workers would result in a large economic benefit—a cumulative **$1.5 trillion in added U.S. gross domestic product over 10 years.** In stark contrast, a deportation-only policy would result in a loss of $2.6 trillion in GDP over 10 years.

Hinojosa uses a computable general equilibrium model based on the historical experience of the 1986 legalization program, and finds that:

Comprehensive immigration reform that includes a legalization program for unauthorized immigrants would stimulate the U.S. economy.

- Immigration reform would increase U.S. GDP by at least 0.84 percent. This would translate into at least a $1.5 trillion cumulative increase in GDP over 10 years, which includes approximately $1.2 trillion in consumption and $256 billion in investment.

- The benefits of additional GDP growth would be spread broadly throughout the U.S. economy, but immigrant-heavy sectors such as textiles, electronic equipment, and construction would see particularly large increases.

- The higher earning power of newly legalized workers would mean increased tax revenues of $4.5 billion to $5.4 billion in the first three years.

- Higher personal income would also generate increased consumer spending—enough to support 750,000 to 900,000 jobs in the United States.

- Experience shows that legalized workers open bank accounts, buy homes, and start businesses, further stimulating the U.S. economy.

Comprehensive immigration reform increases all workers' wages.

- The real wages of less-skilled newly legalized workers would increase by roughly $4,405 per year, while higher-skilled workers would see their income increase $6,185 per year. The wages of native-born high-skill and low-skill U.S. workers also increase modestly under comprehensive immigration reform because the "wage floor" rises for all workers.

- Legalized workers invest more in their human capital, including education, job training, and English-language skills, making them even more productive workers and higher earners.

Mass deportation is costly, lowers wages, and harms the U.S. economy.

- Mass deportation would reduce U.S. GDP by 1.46 percent, amounting to a cumulative $2.6 trillion loss in GDP over 10 years, not including the actual costs of deportation. The Center for American Progress has estimated that mass deportation would cost $206 billion to $230 billion over five years.

- Wages would rise for less-skilled native-born workers under a mass deportation scenario, but higher-skilled natives' wages would decrease, and there would be widespread job loss.

Studies from various researchers with divergent political perspectives confirm these findings.

- A report by the libertarian CATO Institute using a similar CGE model came to startlingly similar conclusions. CATO found that legalization would yield significant income gains for American workers and households. Legalization would boost the incomes of U.S. households by $180 billion in 2019. CATO also concluded that tighter restrictions and a reduction in less-skilled immigration would impose large costs on native-born Americans by shrinking the overall economy and lowering worker productivity.

- A study by the national dairy industry confirmed the essential role of immigrant labor in that sector. A loss of just 50 percent of immigrant dairy workers would lower dairy farm sales by $6.7 billion and reduce total economic output by $11.2 billion. Removing all immigrant dairy workers would cost nearly 133,000 U.S. jobs, affecting both immigrant and native-born workers.

- An analysis by the farm credit system in the Northeast found that an enforcement-only regime would result in jobs lost, farms closed, and farmland converted to other uses. Approximately 800 farms would be at high risk in New York alone; this would cost $700 million in lost production, 7,000 on-farm jobs, and nearly 16,000 off-farm but farm dependent jobs.

- A <u>new study</u> from the University of Southern California concludes that legalizing California's unauthorized Latino immigrants would boost California's economy. California's unauthorized Latino population would have earned $29.6 billion last year if they had been legal—this is $2.2 billion more than they actually earned. This growth would spur direct consumption spending by approximately $1.75 billion, which would ripple throughout the state economy generating an additional $1.5 billion in indirect local spending. This increase would generate more than 25,000 additional jobs in the state, $310 million in additional state income taxes, and $1.4 billion in additional federal income taxes.