Testimony of

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RE: “The Cost of the Border Crisis”
Chairman Arrington, Ranking Member Boyle, and distinguished members of the Committee, thank you for the opportunity to testify.

My name is David Bier. I am the Director of Immigration Studies at the Cato Institute, a nonpartisan public policy research organization in Washington, D.C. For nearly half a century, the Cato Institute has produced original research, showing that free markets and individual liberty make the United States a wealthier, safer, and freer country.

In a free society, markets incentivize people to contribute to the welfare of others through their work, innovation, and entrepreneurship. Thanks to freedom, America isn’t a fixed pie—it’s a growing pie. It is exactly for these reasons that so many people from around the world come to the United States, and it is exactly for those same reasons that we should let them come legally.

America has never needed immigration like it does now.

The United States desperately needs more workers at this moment in its history. Currently, the U.S. population is growing slower than at any point in its history. From 2020 to 2023, international migration was responsible for 73 percent of the meager 1 percent population growth during those three years. Without immigration, the U.S. population will start to decline by the 2030s. Already, about 40 percent of the counties in the United States saw declining populations in 2023.

People are necessary to maintain buildings, roads, schools, hospitals, and businesses because population decline erodes property values and forces business and school closures. This population death spiral has afflicted both urban and rural counties. In fact, over the last decade, rural America lost population for the first time in U.S. history. By 2030, population aging or decline will reduce tax revenue per capita in nearly every state.

The country has already seen how population decline will manifest in the future. Major cities saw significant outmigration in the 1960s and 1970s before they stabilized and rebounded in the 1990s and 2000s, in major part thanks to new immigrants. The outmigration led to housing vacancies and job losses, which contributed to increased crime, and the subsequent in-migration went hand in hand with lower crime and more business creation.

Immigrants can save America from labor force decline.

Along with slower population growth, labor force growth in the United States has also declined for decades, falling by 65 percent from the levels observed in the 1960s—a period when the immigrant share of the U.S. population bottomed out—to the most recent decade. This decline in labor force growth was even more pronounced among individuals without a college degree. These declines happened despite immigration. From 1995 to 2022, immigrants and their children accounted for 70 percent of labor force growth.

There are jobs available for immigrants to fill. Currently, U.S. nonfarm employers have about 8.5 million open jobs. Every single month after January 2021 had more job openings
than any month before it, back to the start of the job openings data series in the year 2000. Filling these open jobs could have increased U.S. Gross Domestic Product by over $2.5 trillion. Going forward, these unfilled job openings will cost the U.S. economy over half a trillion dollars per year.

These jobs will not be filled without immigrants, as the U.S. prime age employment rate is at a near record high. With more Americans retiring than entering the labor force, immigrants have accounted for 100 percent of U.S. labor force growth since December 2019. Without immigrants, the working-age population will fall by about 6 million over the next two decades.

We should not be concerned that immigrants will arrive and choose not to work either. Immigrants will work if the government allows them to. Despite numerous legal obstacles to finding jobs in the United States, immigrants are more likely to work than U.S.-born workers overall and at every education level—a difference that grows significantly among the least skilled. Immigrant adults without high school degrees are about 20 percentage points more likely to work than comparable U.S.-born adults. Furthermore, nearly 97 percent of immigrants who looked for jobs in 2022 found them.

**Immigrants improve the U.S. fiscal situation.**

The Federal Reserve Board of Governors has projected that the decline in population growth will cause economic growth to fall across OECD countries, including the United States, consequently increasing the burden of the U.S. debt. But immigrants can help improve economic growth and government finances. In 2016, the National Academy of Sciences (NAS) calculated the fiscal effects of immigration on the United States, finding that the net present value of immigration had an overwhelmingly positive impact on the U.S. economy in the long term.

The NAS shared its model with the Cato Institute, and in 2023, Cato published an update of the NAS report that incorporated the latest data and research on immigration's fiscal effects. That report found that immigrants generate nearly $1 trillion (in 2024 dollars) in state, local, and federal taxes, which is almost $300 billion more than they receive in government benefits, including cash assistance, entitlements, and public education.

In the long-term, the present value of all the taxes generated minus all the benefits received for an immigrant arriving at age 25 is positive across all education levels. The 30-year net present value for a 25-year-old immigrant without a high school degree is positive $203,000. This positive result occurs partly because immigrant workers cause companies to invest more in capital, which results in those companies paying far more in taxes than they would without those workers.

Cato and NAS use a generational accounting model. Economists Mark Colas and Dominik Sachs use an entirely different method that accounts for the indirect fiscal effects of immigration but come to a conclusion similar to Cato's. They find an indirect positive fiscal effect of about $750 per high school dropout immigrant. That $750 positive effect
often transforms immigrants who are high school dropouts into fiscal net-contributors in many scenarios. Colas and Sachs discover this indirect effect by using a general equilibrium model that they tailor to a labor market with heterogenous workers, which can capture the taxes paid on the indirect boost in economic output from immigration. No method is perfect and there are tradeoffs in each one, but it's striking how the NAS-Cato methods produce results directionally similar to the Colas and Sachs general equilibrium model.

The U.S. Department of Health and Human Services (HHS) has also published research on the fiscal effects of refugees and asylees. In 2017, it found that refugees and asylees had produced $63 billion more in taxes than they received in benefits from all levels of government over a decade. In 2024, HHS found that over a 15-year period, refugees and asylees produced about $124 billion more in taxes than they received in benefits. Another 2022 study found that the cut in the refugee program from 2017 to 2020 cost the U.S. economy $9 billion annually and a net of $2 billion to all levels of government. These studies deal with shorter periods of time and smaller populations, but they find the same positive effects as other broader studies.

In February 2024, the Congressional Budget Office (CBO) found that the recent increase in immigration would increase U.S. gross domestic product by $7 trillion by 2034, raise an additional $1 trillion in revenues, and lower the deficit.

This recent estimate complements CBO's 2013 findings that comprehensive immigration reform that provided a path to citizenship for illegal immigrants and increased legal immigration would cause "a net savings of about $175 billion over the 2014–2023 period" and "would decrease federal budget deficits by about $700 billion (or 0.2 percent of total output) over the 2024–2033 period." The CBO stated that there would be about another $300 billion in savings from the indirect economic effects of more workers.

Unfortunately, this scoring was a rare exception to CBO's normal practice of not considering the increases in employment that occur when immigrants enter the labor force, leading to such anomalies as finding that immigrant PhDs will impose net costs on the federal government.

**Immigration boosts Social Security revenues.**

Since the 1960s, the ratio of workers to retirees has plummeted, and the Social Security Trustees now estimate that Social Security will be short nearly 35 million workers to fund the system in the 2030s. It will have to cut benefits by at least 23 percent in 2034, if not earlier, or raise taxes to cover the shortfall. The situation will not improve in the future, with benefit cuts reaching 30 percent and the shortfall in workers hitting 80 million by 2080.

According to the Social Security Administration Trustees 2022 report, increasing net immigration from 829,000 to nearly 1.7 million would reduce the annual burden of Social Security in 2097 by 1.51 percent of taxable payroll, which would be $137 billion in 2022. This immigration range is based on what Social Security thinks might be possible given the
current law, and 1.7 million immigrants per year are not significant as a percentage of the U.S. population compared to the level of immigration in many other countries. If immigrants, their children, and their grandchildren added the necessary 80 million additional workers by 2080, the savings would amount to $455 billion per year in 2080.

The cumulative present value of securing enough workers to fund Social Security over the next 75 years is at least $24 trillion. The Social Security Trustees have also estimated that in 2010, illegal immigrants paid into Social Security $12 billion more than they received in benefits. Given the poor economic conditions in 2010, the amount today is likely double that amount. Of course, the underlying dynamics of Social Security need reforms regardless, but the Social Security worker shortfall highlights the magnitude of America’s workforce issues.

**Misleading studies produce erroneous estimates of immigrants’ fiscal effects.**

Some reports claim to find negative fiscal effects from immigration, but they do not use any of the methods of economists who study the fiscal effects of immigration. One study comes from the Federation of American Immigration Reform (FAIR), which purports to estimate the fiscal effects of “illegal immigrants.” FAIR’s report makes too many methodological errors to list, but here are some of the most egregious:

1. FAIR’s study significantly underestimates tax contributions of illegal immigrants: it underreports their state income tax revenues by 37 percent, understates their federal income taxes by at least 88 percent, and understates their Medicare and Social Security taxes by 62 percent, according to data from the Census Bureau’s Current Population Survey. The discrepancies in FAIR’s estimates arise from erroneous assumptions about the educational attainment of illegal immigrants as well as inaccurate assumptions about actual tax payments. FAIR’s study also miscalculates taxes generated on property and sales taxes.

2. FAIR counts expenditures on U.S. citizen children in their households but ignores the tax revenues paid by their adult U.S. citizen children. The Census Bureau doesn’t designate someone as a child of an illegal immigrant, but the adult children of Latin American immigrants already pay about as much in taxes as illegal immigrants do. This ignores well over $100 billion in revenues.

3. FAIR’s analysis fails to account for tax incidence or taxes that are indirectly the result of the presence of immigrants and their children in the United States. For instance, it incorrectly assumes that illegal immigrants have zero effect on taxes on corporate income or capital income. Research has shown that ignoring the effects of immigrant workers on capital income by itself can lead to a negative result for low-skilled immigrants. Similarly, FAIR fails to account for the positive effect of immigration on home values, which in turn increases property tax revenues.

The likely reason that FAIR does not use the Census Bureau’s data on noncitizen tax payments is that it does not want to use the Census Bureau’s surveys to estimate the illegal immigrant population in the United States. Instead, FAIR invents its own number of illegal
immigrants (15.5 million), so it deliberately ignores the best available data on noncitizen
tax payments and benefits use. This approach significantly skews its fiscal impact
calculations.

The FAIR report also significantly overstates the government benefits utilized by illegal
immigrants and their families. It even bizarrely assigns 100 percent of the cost of
immigration enforcement to immigrants in the United States. If Congress appropriated $1 trillion to stop all future illegal immigration, FAIR's model would assign this expenditure to immigrants already living in the United States. This methodology doesn’t make any sense.

It also does nothing to inform policymakers of the effects of legalizing the immigration of
these people. FAIR’s report is not a serious calculation of illegal immigration’s fiscal effects.

Another report from the Center for Immigration Studies (CIS) finds similarly negative results for illegal immigrants. CIS’s main mistake is that it misallocates most of the cost of pure public goods, such as national defense and interest payments on existing debt, to new immigrants. Excluding public goods is appropriate because accepting an additional immigrant does not require additional spending on them. Correcting its methodology to exclude public goods reverses CIS’s conclusion from a net present value cost to a net present value gain of about $900 billion in today’s dollars. Furthermore, CIS’s estimate fails to account for the effect of immigrants on companies’ capital income, which—as noted above—radically reduces the fiscal benefits of immigration.

U.S. law thwarts legal immigration.

Unfortunately, the United States is benefiting from immigration despite its outdated and dysfunctional immigration system. Congress has not updated this system in over three decades. To briefly review the main permanent immigration options available for immigrants abroad:

1. **Refugee Program**: The global population of displaced people reached 114 million in 2023, and the United States accepted barely 60,000 through its refugee program—a mere 0.05 percent.

2. **Family-sponsored Immigration**: The capped family-sponsored system currently has a backlog of over 8.3 million, and alarmingly, 1.6 million of these applicants currently waiting will likely be dead before they can receive a green card.

3. **Employer-sponsored Immigration**: Annually capped at just 140,000 green cards, this category currently has a backlog of over 1.8 million. The country-based caps mean that wait times for Indian workers with a master’s degree will be longer than the average lifespan. Employer-sponsored green cards are close to impossible to obtain for those without very high wage offers and a work visa, and the main work visa—the H-1B—is capped at 25 percent of demand. For those coming temporarily, the H-2B seasonal worker program for nonagricultural jobs is the only path for most U.S. seasonal low-skilled jobs, and it has an annual cap of 66,000. Although Congress temporarily doubled this cap, that level was only about half the level required to meet the number of positions requested.
4. **Diversity Lottery:** The diversity green card lottery is available to immigrants only if they are not from legal immigrants’ main origin countries and have a high school degree or experience in a skilled job, and it offers entrants just a 0.2 percent chance of receiving a green card.\(^{46}\)

In 2023, about 34 million people entered a legal process to try to obtain a green card, yet barely more than 1 million will succeed and receive legal permanent residence—just 3 percent of applicants.\(^{47}\)

This massive disparity between the number of green cards issued and those requested is a consequence of decades of unnecessarily low green card caps, leaving millions without a viable way to enter legally. From 1848 to 1914, the annual number of people receiving green cards hit one percent of the U.S. population 22 times. Since the Immigration Act of 1924, this rate has never been achieved again, and only once has it even hit half that rate, when Congress waived the caps on behalf of 3 million illegal immigrants in the Immigration Reform and Control Act of 1986. Today, one percent of the U.S. population would be nearly 3.4 million people,\(^{48}\) yet the number of green cards issued in 2022 was just 1 million.\(^{49}\)

Immigration policy is also restrictive compared to our peer nations. Less than 15 percent of the U.S. population was born outside the United States. This ranks 56\(^{th}\) worldwide,\(^{50}\) in the bottom third of wealthy countries. For perspective, to catch up to Canada (21.4 percent), nearly 30 million immigrants would have to arrive this year. To reach the immigrant share in Australia (30.3 percent), the number grows to 76.4 million. To hit Hong Kong’s percentage (39.2 percent), it would have to exceed 140 million. These totals are unfathomable, but they illustrate just how much flexibility the United States has to adjust its immigration policy and remain well within the norms for the wealthy world.

Furthermore, the United States ranks 57\(^{th}\) globally for refugees and asylum seekers per capita.\(^{51}\) In contrast, other countries are taking in staggering numbers of refugees and asylum seekers: 3.8 million in Turkey, 3.4 million in Iran, 2.3 million in Germany, and 1 million in Poland, with a population about a tenth of the size of the United States. Seven percent of Jordan and 15 percent of Lebanon are now refugees or asylum seekers. These comparisons underscore the capacity for the United States to significantly expand its role in global refugee assistance and admission.

**Legalize immigration to reduce costs associated with illegal immigration.**

Although the fiscal effects of immigration are positive overall, Congress can increase the fiscal benefits of immigration by enabling more immigrants to enter the U.S. legally with the right to work and without the right to welfare benefits. Forcing immigrants to cross illegally creates unnecessary burdens on law enforcement and the public that could be resolved by letting immigrants enter legally with work authorization.

By forcing immigrants to immigrate illegally, the U.S. government is channeling tens of billions of dollars to criminals abroad who extort vulnerable migrants on their way to the United States. One estimate found that immigrants paid $13 billion in 2022 to criminals in
Immigrants are paying $4,000 to $20,000 to migrate. This means that they arrive in the United States with significantly fewer resources available to them than if they had been allowed to migrate legally.

Since the migration is illegal, Border Patrol incurs unnecessary costs arresting people who have no intention of evading detection or would happily apply for a visa if one was available to them. Immigrants also cannot line up jobs or housing in advance. They have no way of knowing if, when, or where Border Patrol will release them, leading to many people living on the streets in border communities even when they have somewhere to go. The prohibition on working legally after release is perhaps the most pernicious problem because it forces immigrants to break the law by working illegally or live off the charity of their neighbors.

Some cities have unnecessarily gone too far in providing services to this population. This policy choice has important budgetary consequences for those cities but does not change the big picture of the fiscal effects of immigration nationwide. New York, Chicago, Denver, Boston, and D.C. have collectively spent less than $10 billion on services for immigrants in 2023 and 2024, which amounts to about 0.1 percent of total state and local government spending nationwide over two years. Shelter residents in these cities account for less than 1 percent of all immigrant arrivals since 2021.

But these cities do not need to provide these services, and other cities have eliminated services without ill consequences. Regardless, the mayors in these cities are not calling for cutting off immigration, but rather authorizing these immigrants to work so that they can support themselves. To address this issue, Congress should require that anyone released or otherwise permitted to enter the United States be immediately allowed to work legally.

**Conclusion**

Congress should be exploring how to permit immigration in a lawful and orderly way that maximizes the potential benefits of immigrants. Unfortunately, America is benefiting from immigration in spite of Congress's dysfunctional permanent legal immigration system—which was last updated in 1990. Current backlogs and delays are now so extreme that in literally any other area of law there would be daily hearings and investigations about them.

Our legal immigration system is largely ignored here, but its inefficiencies send a global message that the way to come is to come illegally. As long as we continue to proclaim this message, we will continue to eat the unnecessary costs of illegal immigration. The only way to change the message is to change the law. But if we start with the accurate premise that immigrants can be contributors to our society, we can focus on how they can reach that potential without resorting to illegality and chaos.

Let us create a system where people aren’t forced to hand over their life savings to cartels. Let them line up transportation, housing, and jobs in advance of their arrival. Let’s allow
Border Patrol to focus on genuine threats. Let them come legally. Fixing the system only requires faith in America, in our system, in our Constitution, in our freedom. And if you ever lack faith, talk with those who are Americans by choice. They will tell you that they believe in us. We should listen. Thank you.

Citations

Note: This testimony includes testimony delivered at the Senate Committee on Budget hearing entitled, "Unlocking America's Potential: How Immigration Fuels Economic Growth and Our Competitive Advantage," September 13, 2023: https://www.budget.senate.gov/hearings/unlocking-americas-potential-how-immigration-fuels-economic-growth-and-our-competitive-advantage

30 These totals come from taking the average payments by educational attainment in the CPS ASEC and applying them to the educational profile of illegal immigrants estimated by the Center for Migration Studies using the Census Bureau’s American Community Survey. See: Current Population Survey, Annual Social and Economic Supplement, March 2023; “Estimates of Undocumented and Eligible-to-Naturalize Populations by State,” Center for Migration Studies.
36 Steven A. Camarota, Director of Research, Center for Immigration Studies, “The Cost of Illegal Immigration to Taxpayers,” Testimony before the Subcommittee on Immigration Integrity, Security, and Enforcement of the House Judiciary Committee, 118th Cong., 2nd sess., January 11, 2024.
37 This comes from averaging the three budget scenarios in Table 8-14 using the educational attainment distribution from Center for Migration Studies (CMS) and the Camarota estimate of the illegal population.
42 David J. Bier, “1.6 Million Family-Sponsored Immigrants Will Die Before They Can Immigrate,” Cato at Liberty
44 “H-1B Electronic Registration Process,” USCIS, updated April 29, 2024.
45 Department of Labor, “Performance Data” last updated December 31, 2023.
51 “Refugee Data Finder,” UNHCR.
54 Bier, David J. “New York City can solve its immigrant shelter crisis alone,” Washington Examiner, 2024.