



The Daily Dish

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DOUGLAS HOLTZ-EAKIN | APRIL 24, 2015

After issuing over [\\$470 billion in energy and environmental regulations](#), the Obama administration is trying a new “voluntary” approach. According to the [Washington Examiner](#), “The initiative seeks to double emissions reductions currently being achieved by the farming sector, from 60 to 120 million metric tons by 2025...” The Department of Agriculture rules are a departure from the EPA’s Power Plant regulations; maybe these will [be possible to comply with](#).

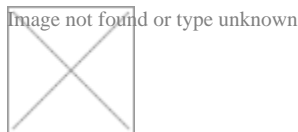
Trade Promotion Authority has cleared an initial hurdle by making it out of a House committee yesterday. TPA, also known as “fast-track,” would use congressional guidance for the executive branch to have more negotiation powers for trade deals. If TPA is passed it would give the president the authority to sign a number of trade deals that could add [billions of dollars and half a million jobs](#) to the US economy.

Eakinomics: Immigration and the Standard of Living

Senator Jeff Sessions has a long history of opposition to legislation that would provide a path to legal status for undocumented immigrations. But he caused an even bigger stir recently with an [op-ed](#) in the Washington Post calling for choking back legal immigration. The crux of the argument is:

- “In the 1960s, Congress lifted immigration caps and ushered in a “second great wave.” The foreign-born population more than quadrupled, to more than 40 million today. This ongoing wave coincides with a period of middle-class contraction.”
- This happens because “...millions of low-wage foreign workers are legally made available to substitute for higher-paid Americans.”
- And the future is worse due to the fact that “The percentage of the country that is foreign-born is on track to rapidly eclipse any previous historical peak and to continue rising.”

Scary, and intended to be scary, stuff. Unfortunately, it’s a selective reading of the economic history. The chart below shows decade-by-decade changes in the fraction of the population that is foreign-born (the blue line, left scale) and changes in real (inflation-adjusted to 2009 dollars) Gross Domestic Product (GDP) per capita (the red line, right scale). It reveals several points. Most important, the standard of living never falls (the changes in GDP per capita are always positive no matter what is the status of the foreign-born). Second, there is no real correlation between the two series; sometimes they go in the opposite direction (the Senator’s contention) but often they move in the same direction.



The narrow focus on the 40’s and 50’s versus the 60’s and later plays right into the mistake of omitted effects.

In the earlier period, the U.S. had an effective global monopoly as the rest of the industrialized world recovered from the ravages of World War II. In the latter period there was immigration, true, but there was also the explosion of the baby-boom generation, the entry of millions of women into the labor force, and vast internal migration that accompanied the civil rights movement. Those effects likely dominated any labor market impacts of immigration.

The conceptual framework is out of step with the reality now and in the future. U.S. workers are already competing with the foreign-born workers. Competition is global; it does not matter whether it lives across the street, across the state, or across an ocean. Wages are set globally and respond to skills; they do not respond by changing the home address of those skills. Most studies find no link between immigration and wages; a few find that it raises the wages of the native-born.

Finally, the Census Bureau [projects](#) that the fraction of the population that is foreign born will exceed its historic high of 14.6 percent in the decades to come. Should we really fear this? Canada and Australia are countries with dramatically larger immigration flows (as a fraction of their populations) and they are wealthy and cohesive democracies.

Immigration reform remains a good [policy option](#), even if there is no sign of legislative progress. An immigration u-turn is simply not supported by the facts.

From the Forum

[Top Selling Drugs Are Soon Losing Patent Protection](#) by Conor Ryan, AAF Senior Health Care Data Analyst