

Testimony of
Alan Greenspan

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Testimony of Dr. Alan Greenspan Subcommittee on Immigration, Refugees, and Border Security

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Mr. Chairman and Members of the Committee:

Thank you for this opportunity to testify before you this afternoon.

Immigration to the U.S. slowed markedly with the onset of the current economic crisis. But as this crisis fades, there is little doubt that the attraction of the United States to foreign workers and their families will revive. I hope by then a badly needed set of reforms to our nation's immigration laws will have been put in place.

There are two distinctly different policy issues that confront the Congress. The first is illegal immigration. The notion of rewarding with permanent resident status those who have broken our immigration laws does not sit well with the American people. In a recent poll, two-thirds would like to see the number of illegals decreased.

But there is little doubt that unauthorized, that is, illegal, immigration has made a significant contribution to the growth of our economy. Between 2000 and 2007, for example, it accounted for more than a sixth of the increase in our total civilian labor force. The illegal part of the civilian labor force diminished last year as the economy slowed, though illegals still comprised an estimated 5% of our total civilian labor force. Unauthorized immigrants serve as a flexible component of our workforce, often a safety valve when demand is pressing and among the first to be discharged when the economy falters.

Some evidence suggests that unskilled illegal immigrants (almost all from Latin America) marginally suppress wage levels of native-born Americans without a high school diploma, and impose significant costs on some state and local governments.

However the estimated wage suppression and fiscal costs are relatively small, and economists generally view the overall economic benefits of this workforce as significantly outweighing the costs. Accordingly, I hope some temporary worker program can be crafted. The second policy issue that must be addressed by Congress is the even more compelling need to facilitate the inflow of skilled foreign workers. Our primary and secondary school systems are increasingly failing to produce the skilled workers needed to utilize fully our ever more sophisticated and complex stock of intellectual and physical capital. This capital stock has been the critical input for our rising productivity and standards of living and can be expected to continue to be essential for our future prosperity. The consequence of our educational shortfall is

that a highly disproportionate number of our exceptionally skilled workers are foreign-born--two-fifths of the science PhDs in our workforce, for example, are foreign-born. Silicon Valley has a remarkably large number of foreign-born workers.

The quantity of temporary H-1B visas issued each year is far too small to meet the need, especially in the near future as the economy copes with the forthcoming retirement wave of skilled baby boomers. As Bill Gates, the chairman of Microsoft, succinctly testified before Congress in March 2007, "America will find it infinitely more difficult to maintain its technological leadership if it shuts out the very people who are most able to help us compete." He added that we are "driving away the world's best and brightest precisely when we need them most."

Our skill shortage, I trust, will ultimately be resolved through reform of our primary and secondary education systems. But, at best, that will take many years. An accelerated influx of highly skilled immigrants would bridge that gap and, moreover, carry with it two significant bonuses.

First, skilled workers and their families form new households. They will, of necessity, move into vacant housing units, the current glut of which is depressing prices of American homes. And, of course, house price declines are a major factor in mortgage foreclosures and the plunge in value of the vast quantity of U.S. mortgage-backed securities that has contributed substantially to the disabling of our banking system. The second bonus would address the increasing concentration of income in this country. Greatly expanding our quotas for the highly skilled would lower wage premiums of skilled over lesser skilled. Skill shortages in America exist because we are shielding our skilled labor force from world competition. Quotas have been substituted for the wage pricing mechanism. In the process, we have created a privileged elite whose incomes are being supported at noncompetitively high levels by immigration quotas on skilled professionals. Eliminating such restrictions would reduce at least some of our income inequality.

If we are to continue to engage the world and enhance our standards of living, we will have to either markedly improve our elementary and secondary education or lower our barriers to skilled immigrants. In fact, progress on both fronts would confer important economic benefits.

Immigration policy, of course, is influenced by far more than economics. Policy must confront the very difficult issue of the desire of a population to maintain the cultural roots that help tie a society together. Clearly a line must be drawn between, on the one hand, allowing the nation to be flooded with immigrants that could destabilize the necessary comity of a society and, on the other hand, allowing the nation to become static and bereft of competition, and as a consequence to lose its economic vitality. The United States has always been able eventually to absorb waves of immigration and maintain its fundamental character as a nation, particularly the individual rights and freedoms bestowed by our Founding Fathers. But it must be conceded that the transitions were always more difficult than hindsight might now make them appear.

In closing, I would like to concur with President Bill Clinton's view of our immigration history as expressed in remarks of more than a decade ago: "America has constantly drawn strength and spirit from wave after wave of immigrants. . . They have proved to be the most restless, the most adventurous, the most innovative, the most industrious of people."

We, as a nation, must continue to draw on this source of strength and spirit. To do so, in the context of a rapidly changing global economy, our immigration laws must be reformed and brought up to date.