

## Cutting legal immigration 50 percent might be Trump's worst economic idea

By Heather Long July 17, 2017

President Trump's "to do" list still includes cutting legal immigration. Economists say that's a "grave mistake."

A Washington Post survey of 18 economists over the weekend found that 90 percent said it's a terrible idea for Trump to curb immigration to the United States. Experts overwhelmingly predicted it would slow growth — the exact opposite of what Trump wants to do with "MAGAnomics."

"Restricting immigration will only condemn us to chronically low rates of economic growth," said **Bernard Baumohl, chief global economist at the Economic Outlook Group**. "It also increases the risk of the recession."

Thomas Simons, senior economist at the Jefferies investment firm, called the idea "absolutely harmful to an economy with a population undergoing the demographic transformation."

The bottom line is: The United States needs more workers. Growth happens when one of two things occurs: The economy gets more workers or the existing workers become more productive. At the moment, both of those factors are red flags. Productivity growth is

sluggish, and, as Trump has pointed out many times, the percent of American adults who actually work — the labor-force participation rate — is hovering at the lowest levels since the 1970s.

A big part of the problem is the baby boomers are starting to retire. The United States needs more people to replace them, but the U.S. birthrate just hit a historic low, according to the Centers for Disease Control and Prevention. That's why many economists, demographers and business owners keep calling for more immigration, not less.

“Limiting immigration to the U.S. is a grave mistake,” says Mark Zandi, chief economist at Moody’s Analytics. “The only way to meaningfully increase U.S. economic growth on a sustained basis anytime soon is to increase immigration.”

During the campaign, Zandi predicted that Trump's protectionist stances on trade and immigration would lead to a “lengthy recession.” According to Zandi's economic models, Trump's worst policy was his plan to deport 11 million immigrants currently in the country illegally.

Now scaling back on legal immigration is a serious part of the policy discussion.

Congress and the White House are dealing with a slew of issues. Immigration appeared to be sidelined until a much-cited Politico report last week that top Trump aides are actively working with Sens. Tom Cotton (R-Ark.) and David Perdue (R-Ga.) to cut legal immigration by as much as 50 percent. It would be a revised version of the RAISE Act that the senators introduced in February and that would cut back on the number of refugees allowed in each year and make it much harder for anyone other than spouses or

minor children of U.S. citizens or permanent residents to immigrate.

Trump still sees action on immigration as a critical part of his agenda. He brought it up on his trip to France last week.

“What I'd like to do is a comprehensive immigration plan,” the president told reporters on his way to Paris. “But our country and political forces are not ready yet.”

If Trump can't get the bigger immigration overhaul he wants, he's likely to push for something like the RAISE Act. Trump says the United States needs to limit immigration, legal and illegal, to give workers at home a better chance. One of the proposals Cotton and Perdue are considering is slashing the number of legally issued green cards from 1 million a year to 500,000 over the next decade. Trump portrays immigrants as scooping up American jobs. But the data appears to tell a different story.

U.S. unemployment is at 4.4 percent. In May, unemployment hit the lowest level since 2001, a milestone Trump celebrated. That implies there aren't many people struggling to find work. At the same time, the United States has 5.7 million job openings, which is near a record high. It's been that way for a year now. Business leaders with big and small firms complain say they can't find enough workers. They are especially vocal about not being able to find enough people for really low-skilled, low-pay work and for really highly skilled jobs.

ake Bayard Winthrop. He is founder and chief executive of American Giant, a company that Slate said produces the “greatest hoodie ever made.” American Giant makes those masterpiece sweatshirts by using only U.S. workers, U.S. cotton and U.S. manufacturing. In other words, Winthrop is the living embodiment

of the “Made in America” a movement Trump is trying to resurrect. Yet one of the biggest problems Winthrop faces is not enough American workers want to do the hard work of picking cotton.

“If you go through our supply chain and talk to a lot of the business that are ginning cotton, dyeing and finishing cotton, what you hear pretty universally is they have open job requests but few people actually want these entry-level, lower-wage jobs,” he said Monday in an interview with WAMU radio. His message to Trump is, “Make immigration much more accessible.”

Trump is already heeding the calls for more lower-skilled workers. His administration just bumped up visas for seasonal foreign workers by 15,000, a 45 percent increase from last year.

There's little love among economists and business leaders for a 50 percent cut in immigration overall, but there is growing support for moving the United States to a more merit-based immigration system. The idea is to attract more of the immigrant workers that the country desperately needs. At the moment, only 15 percent of green cards are issued for employment reasons, according to Department of Homeland Security data.

“There is a case for adopting a Canada-style system of 'points' whereby preference is given to people with desired skills,” said Martin Barnes, chief economist at BCA Research in Montreal.

The vast majority of legal immigrants are entering the country because they are relatives of someone already in the United States. It's known as “chain immigration,” and the RAISE Act wants to limit that substantially so only spouses and children could come with a visa holder, not more-extended relatives.

From an economics standpoint, the key is to get more workers with the desired skills into the country. It's why the tech community is lobbying so hard for more H-1B visas.

Immigrants also tend to start more businesses. While start-up founders in Silicon Valley are glorified, the reality is, business formation in the United States is near a 40-year low. That worries Carl Tannenbaum, chief economist at Northern Trust, greatly. “Countries that get collectively older are granted fewer patents, start fewer small businesses and take fewer risks with capital,” Tannenbaum said. All of that hurts economic growth.

Tannenbaum is concerned not only that Trump will cut immigration in the future but also that Trump's anti-immigrant rhetoric and controversial travel ban is already encouraging the best young minds in the world to look elsewhere for their college educations and early careers.

“If smart kids get educated elsewhere, the U.S. will experience a talent drain that we will certainly come to regret,” he warned.

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