

Center for American Progress



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# A Rising Tide or a Shrinking Pie

The Economic Impact of Legalization Versus Deportation  
in Arizona

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# Introduction and summary

Our national debate over urgently needed immigration reform is now careening through our state legislatures, city halls, and town councils due to political gridlock at the federal level. And nowhere is that debate more contentious than in Arizona, where in April of last year the state's legislature sought to rid the state of undocumented immigrants with passage of S.B. 1070. The law is specifically designed to trigger a mass exodus of undocumented immigrants from the state by making "attrition through enforcement the public policy of all state and local government agencies in Arizona."<sup>1</sup>

S.B. 1070 remains unenforced due to legal challenges to its constitutionality by the U.S. Department of Justice, yet nearly a year later the Arizona State Senate appears intent on doubling down on that strategy by passing even more restrictive immigration measures.<sup>2</sup> Among other things, the new push would unconstitutionally require K-12 students to prove citizenship, evict public housing tenants if an undocumented person resides there, and make it a crime to operate a vehicle while undocumented.

This crackdown may play well politically for some local elected officials but is it in the best economic interests of the state? The purpose of this report is to arm state legislators and their constituents across the country with an answer to that basic question. If S.B. 1070-type laws accomplish the declared goal of driving out all undocumented immigrants, what effect would it actually have on state economies? And conversely, what would the impact be on state economies if undocumented immigrants acquired legal status?

The economic analysis in this report shows the S.B. 1070 approach would have devastating economic consequences if its goals were accomplished. When undocumented workers are taken out of the economy, the jobs they support through their labor, consumption, and tax payments disappear as well. Particularly during a time of profound economic uncertainty, the type of economic dislocation envisioned by S.B. 1070-type policies runs directly counter to the interests of our nation as we continue to struggle to distance ourselves from the ravages of the Great Recession.

Conversely, our analysis shows that legalizing undocumented immigrants in Arizona would yield a significant positive economic impact. Based on the historical results of the last legalization program under the Immigration Reform and Control Act of 1986, our analysis shows a similar program would increase wages not only for immigrants but also for their native-born co-workers. This would generate more tax revenue and more consumer and business spending, supporting additional jobs throughout the economy.

Public debate over the wisdom of laws such as S.B. 1070 is heated but generally lacking in substance. The proponents of S.B. 1070 and related legislation now under debate in other cities and states claim to be acting in the best economic interests of native-born Americans, but as this report demonstrates, their claim is wholly unsubstantiated.

These are important findings. In the pages that follow, we estimate and compare the short-term shock to a state economy that would be immediately felt due to mass deportation and then compare it to the competing policy alternative—legalization. Our analysis evaluates the changes in economic output, employment, and tax contributions to the Arizona economy arising from these two divergent policy approaches to immigration reform.

The analysis demonstrates unequivocally that undocumented immigrants don't simply "fill" jobs; they create jobs. Through the work they perform, the money they spend, and the taxes they pay, undocumented immigrants sustain the jobs of many other workers in the U.S. economy, immigrants and native-born alike. Were undocumented immigrants to suddenly vanish, the jobs of many Americans would vanish as well. In contrast, were undocumented immigrants to acquire legal status, their wages and productivity would increase, they would spend more in our economy and pay more in taxes, and new jobs would be created (see Figures 1 and 2).

FIGURE 1

## Mass deportation versus mass legalization

### Costs and consequences

#### Deportation effects in Arizona

- Decrease total employment by 17.2 percent
- Eliminate 581,000 jobs for immigrant and native-born workers alike
- Shrink state economy by \$48.8 billion
- Reduce state tax revenues by 10.1 percent

#### Legalization effects in Arizona

- Increase total employment by 7.7 percent
- Add 261,000 jobs for immigrant and native-born workers alike
- Increase labor income by \$5.6 billion
- Increase tax revenues by \$1.68 billion

FIGURE 2

## Boosting jobs, boosting tax revenues

What Arizona could do with \$1.68 billion in additional tax revenues by legalizing undocumented workers

- Fully fund the Department of Corrections, Community College System, School Facilities Board, Department of Public Safety, and Department of Health Services for fiscal year 2011 ending in September of this year.<sup>3</sup>
- Pay off the \$974 million projected budget shortfall for FY 2012.<sup>4</sup>
- Build 145 new hospitals.<sup>5</sup>
- Fully recoup lost tax revenues, spending, earnings, and economic output from future and already canceled conferences resulting from the passage of S.B. 1070—with money left over.<sup>6</sup>
- Pay for every in-state student to attend Arizona State University for two years.<sup>7</sup>
- Hire more than 7,500 new high school teachers, and pay their salaries for five years.<sup>8</sup>
- Provide meals for the 18,116 homeless individuals in Arizona for more than five years.<sup>9</sup>
- Build 1,679 new community centers.<sup>10</sup>

Simply put, Arizona's current approach to immigration policy is economically self-destructive. The more forward-looking approach of putting all workers on a legal, even footing offers opportunity for a costless stimulus to local economies that improves fiscal balances.

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### About the Immigration Policy Center

The Immigration Policy Center (IPC) is the research and policy arm of the American Immigration Council. IPC’s mission is to shape a rational conversation on immigration and immigrant integration. Through its research and analysis, IPC provides policymakers, the media, and the general public with accurate information about the role of immigrants and immigration policy on U.S. society. IPC reports and materials are widely disseminated and relied upon by press and policy makers. IPC staff regularly serves as experts to leaders on Capitol Hill, opinion-makers and the media.



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