

National Foundation for American Policy

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New Research Finds Legal Immigration Major Boon to Social Security System; Actuarial Deficit Would Balloon by One-Third if Legal Immigration Halted ***NFAP Study Shows \$611 Billion Net Benefit From Legal Immigrants to Social Security System Over 75 Years***

WASHINGTON, D.C. – New research from the National Foundation for American Policy (NFAP), an Arlington, VA-based public policy group, shows that over the next 75 years, new legal immigrants entering the United States will provide a net benefit of \$611 billion in present value to America's Social Security system.

According to a study released today, which relies on government data, a moratorium on legal immigrants entering the country could devastate the Social Security system by ballooning the size of the actuarial deficit by almost one-third – 31 percent – over a 50-year period.

This figure, and others in the NFAP study, comes from official government data supplied by the Social Security Administration (SSA) Office of the Chief Actuary. The SSA provided an analysis of how changes in levels of legal immigration would affect the actuarial balance of Social Security and the National Foundation for American Policy made additional calculations to produce figures on revenue. (A complete copy of the report and the memorandum from the SSA can be found at www.nfap.net.)

“These findings show that maintaining or increasing current levels of legal immigration will significantly benefit the Social Security system,” said Stuart Anderson, Executive Director of NFAP and author of the report, *The Contribution of Legal Immigration to the Social Security System*. Funding for the study was received from the Merage Foundation for the American Dream, based in Newport Beach, CA. The study is part of its occasional paper series on immigration.

“Imposing an immigration moratorium or reducing legal immigration would worsen the solvency of Social Security, harm taxpayers, and increase the size of the long-range actuarial deficit of the Social Security trust fund,” said Anderson at a National Press Club briefing in Washington, D.C.

Social Security benefits to current retirees are funded primarily out of the taxes paid by today's workers. For that reason additional workers are extremely beneficial to America's “pay as you go” system.

Immigrants typically arrive near the start of their working years and may contribute to the system for up to four decades before receiving any benefits – a fact that is gaining recognition on Capitol Hill.

In his remarks, Anderson offered specific praise for U.S. Senator Sam Brownback (R-KS) and U.S. Rep. Chris Cannon (R-UT) for their interest in promoting the key findings of the study to Congressional lawmakers. Cannon, a member of the House Judiciary Committee, attended the National Press Club briefing.

Because of the significance of its findings, the NFAP also is providing copies of the report to the House and Senate Judiciary Committees, the Senate Finance Committee, and the House Ways and Means Committee.

“This report illustrates that reducing legal immigration would harm Social Security’s ability to pay future retirees. As the Congress considers changes to both Social Security and immigration, this timely study should be weighed carefully by Members of both parties,” said Cannon.

In a statement issued at the event, Brownback, who is a member of the Senate Judiciary Committee and the Joint Economic Committee, said, “This study reminds us that, while we must keep our borders safe and secure against those who would do us harm, we must also keep our nation open to the legal immigrants that play a crucial role in our country’s growth and prosperity.”

Other key findings regarding the impact of legal immigration on the Social Security system include:

- To compensate for the loss of revenue caused by a moratorium would require increasing Social Security taxes on Americans by \$506 billion in present value over 50 years and \$611 billion over 75 years. Such a tax increase would cost an American earning \$60,000 in 2004 more than \$1,860 in higher payroll taxes over the next 10 years.
- A forty-one percent reduction in legal immigration, which Congress considered in 1996, would increase the actuarial deficit by 13 percent over 50 years and require \$212 billion in tax increases (in present value) over 50 years (and \$246 billion over 75 years) to make up for the lost revenue caused by the severe legal immigration reductions. (Present value shows what a cash flow received in the future is worth in today’s dollars by discounting all future cash using the rate of interest assumed to be earned by the Social Security trust fund).
- A thirty-three percent reduction in legal immigration would increase the actuarial deficit by 10 percent over 50 years and result in lost revenues of \$163 billion in present value over 50 years and \$207 billion over 75 years, which would need to be made up for through higher taxes or other means. Such a tax increase would cost an American earning \$60,000 in 2004 more than \$720 in higher payroll taxes

over the next 10 years, in the case of a 41% reduction in legal immigration, and \$600 over the next 10 years for a 33% legal immigration reduction.

- Increases in legal immigration would provide a significant boost to Social Security. The size of the actuarial deficit would be *reduced* over 50 years by 10 percent if legal immigration increased 33 percent (an additional 264,000 immigrants a year) and by 6 percent for a 20 percent rise in legal immigration annually (160,000 more immigrants a year.) A 33 percent increase in legal immigration would increase revenues to Social Security by a present value of \$169 billion over 50 years and \$216 billion over 75 years. A 20 percent legal immigration increase would add \$101 billion in present value to the trust fund over 50 years and \$128 billion over a 75-year period.
- A thirty-three percent increase in legal immigration would mean that an American earning \$60,000 in 2004 could have his or her Social Security taxes reduced by \$600 over 10 years (or \$360 in the case of a 160,000 legal immigration rise) and Social Security would maintain the actuarial balance that is currently projected over that period.
- Halting legal immigration to the United States would reduce both the growth rate of the U.S. labor force and the rate of the country's economic growth (the rate of growth of the nation's Gross Domestic Product) by approximately one quarter of one percent (0.25%) per year, initially, a notable amount.

"Policymakers considering changes to either Social Security or America's legal immigration system should be aware of the significant positive impact that legal immigrants have on Social Security. I appreciate the efforts of Senator Chuck Hagel of Nebraska, who requested the data for me, and encourage Members of Congress to take these findings into account as decisions are made on these policy matters," said Anderson.

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About the National Foundation for American Policy

Started in 2003, NFAP is a non-profit, non-partisan organization dedicated to public policy research on trade, immigration and other issues of national importance. NFAP's Advisory Board members include economist Jagdish Bhagwati (Columbia University); economist Richard Vedder (Ohio State University); former U.S. Rep. Guy Vander Jagt (MI); former INS Commissioner Jim Ziglar; Cesar Conda, former Domestic Policy Advisor for Vice President Dick Cheney, and others.

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