The Contribution of Legal Immigration to the Social Security System

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Executive Summary

Over the next 50 years, new legal immigrants entering the United States will provide a net benefit of $407 billion in present value to America’s Social Security system, according to official Social Security Administration data. Maintaining or increasing current levels of legal immigration significantly aids the Social Security system, while 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, according to data and an analysis from the Social Security Administration (SSA) Office of the Chief Actuary.

The results in this paper are based on official government data supplied by the Social Security Administration. SSA provided an analysis on the impact of changes in levels of legal immigration on the actuarial balance of Social Security and the National Foundation for American Policy made additional calculations from the SSA data to produce figures on revenue. The official data were requested by Senator Chuck Hagel and provided to Stuart Anderson, executive director of the National Foundation for American Policy, a nonpartisan public policy research organization. Funding for the study was received from the Merage Foundation for the American Dream, based in Newport Beach, CA, which requested the study to be part of its occasional paper series on immigration.

The data on the revenue impact for the 50 and 75 year periods for different levels of legal immigration have been revised and updated from the paper released in February 2005. After receiving clarification and new information from the Office of the Chief Actuary additional calculations were performed that present more precise revenue estimates. The revised revenue estimates represent only a portion of the paper and do not change the conclusions of the paper that legal immigrants are important to the Social Security system. However, the revenue estimates are lower under the different scenarios in this revised version of the paper.

The SSA Actuaries provided data on the impact on Social Security of different immigration scenarios.

• In a key finding, government data document that 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.
• To compensate for the loss of revenue caused by a moratorium would require increasing Social Security taxes on Americans by $407 billion in present value over 50 years and $346 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.

• The data from the SSA Actuaries illustrate that any significant reduction in legal immigration would worsen the financial status of the Social Security system and make any reforms to the system far more difficult to achieve.

• 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 $165 billion in tax increases (in present value) over 50 years (and $133 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 $132 billion in present value over 50 years and $111 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 $138 billion over 50 years and $121 billion over 75 years. A 20 percent legal immigration increase would add $97 billion in present value to the trust fund over 50 years and $72 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 their 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.

• Over the next 75 years, new legal immigrants entering the United States will provide a net benefit of $346 billion in present value to America’s Social Security system,

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.

Particularly in light of the aging Baby Boom generation, the Social Security Administration Actuaries’ analysis leads to the conclusion that legal immigrants and their descendants make important positive contributions to America’s Social Security system. Higher levels of legal immigration would benefit Social Security. However, higher taxes, benefits cutbacks, or some combination of the two would be necessary to prevent the worsening in the solvency of the Social Security trust fund caused by reductions in legal immigration. Even though the debate on immigration to the United States extends beyond the impact of legal immigrants on the Social Security trust fund, given the interest in strengthening Social Security this report provides important data for officeholders. Policy makers 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.
THE POSITIVE IMPACT OF IMMIGRATION ON SOCIAL SECURITY

This paper illuminates the analysis and data provided by the Social Security Administration’s Office of the Chief Actuary, which produced the information at the request of Senator Chuck Hagel’s office, from which I received the data and analysis. The information from the SSA Chief Actuary’s Office provides the long-range estimates of the status of the Social Security trust fund based on various levels of legal immigration. The Social Security trust fund is also known as the Federal Old-Age and Survivors Insurance and Disability Insurance (OASDI) trust fund(s). The estimates are based on the intermediate projections contained in the 2004 Trustees Report. Funding for the study was received from the Merage Foundation for the American Dream, based in Newport Beach, CA, which requested the study to be part of its occasional paper series on immigration.

To understand the positive impact of immigration on the Social Security system it is necessary to appreciate that 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. In addition, the immigrants have children who upon reaching working age immediately start paying into the Social Security system. These children will not receive any benefits for often more than 6 decades after the arrival to America of their immigrant parent. By the time the child of the immigrant starts receiving benefits, the grandchild (or grandchildren) of the immigrant will already have been working and paying into the Social Security system for many years.

The 2004 Trustees report explains: “The cost rate decreases with increasing rates of net immigration because immigration occurs at relatively young ages, thereby increasing the numbers of covered workers earlier than the numbers of beneficiaries.” The Social Security Actuaries estimate that the “average age distribution of legal immigration for each future year is 30 years for men and 31 years for women.”

In estimating the future status of the trust funds, the Social Security Actuaries factor in economic growth, wage growth, inflation, unemployment, fertility, immigration and mortality, according to the 2004 Trustees Report. Of these factors, only the number of legal immigrants admitted each year is directly within the control of Congress. Congress at best has an indirect impact on the other factors cited above.

The SSA Actuaries’ analysis refutes the argument made by some anti-immigration advocates that since immigrants later receive benefits they do not aid the Social Security system. To the contrary, the SSA analysis concludes: “[A] substantial reduction in the number of legal immigrants would reduce the growth rate in the GDP [Gross Domestic Product] and the OASDI taxable payroll (the tax base for the program) for several decades before there would be a significant effect on the growth rate in the cost of the program.”
Federal Reserve Bank Chairman Alan Greenspan has pointed out the important role that immigration can play in addressing Social Security. In February 2003 testimony before the Senate Special Committee on Aging, Greenspan stated, “The aging of the population in the United States will have significant effects on our fiscal situation. In particular it makes our Social Security and Medicare programs unsustainable in the long-run, short of a major increase in immigration rates, a dramatic acceleration in productivity growth well beyond historical experience, a significant increase in the age of eligibility for benefits, or the use of general revenues to fund benefits.”

More recently, Chairman Greenspan noted the advantageous position of the United States versus the more rapidly aging populations of Europe and Japan. While between 2000 and 2030 the number of working age adults will decline in Italy (-19%), Japan (-15.8%), and Germany (-15.1%), the working age adult population will increase by 18.9% in the United States over that period due primarily to immigration.\(^7\) In concluding his August 27, 2004 speech at a symposium sponsored by the Federal Reserve Bank of Kansas, Greenspan said, “Aside from the comparatively lesser depth of required adjustment, our open labor markets should respond more easily to the changing needs and abilities of our population; our capital markets should allow for the creation and rapid adoption of new labor-saving technologies, and our open society should be receptive to immigrants. These supports should help us adjust to the inexorabilities of an aging population. Nonetheless, tough policy choices lie ahead.”

BACKGROUND

The 2004 Trustees Report, utilizing the intermediate projections, assumes an annual level of 800,000 legal immigrants and 200,000 emigrants (people who leave the U.S. legal immigrant population) for a net level of 600,000 per year. The Trustees Report also assumes a net level of 300,000 annually for “other immigration” (illegal immigration). The average age for those settling here as part of this “other immigration” each year is 21 years for men and 22 years for women, which is younger than for legal immigrants. The SSA’s Chief Actuary Office analysis discussed here assumed no change in illegal immigration, though it notes that it is possible that illegal immigration could increase in response to legal immigration cutbacks, which could “partly offset” the negative effect of legal immigration reductions.\(^8\)

In calculating the impact on the Social Security trust fund of changing legal immigration levels, the SSA Office of the Chief Actuary notes: “The estimated effects of these changes in the limits for legal immigration on the financial status of the OASDI program reflect expected initial changes in the working-age population, and subsequent changes in the population at all ages. The population changes are not only due to the direct change in the number of foreign-born residents, but also to the resulting change in the number of births in the United States.”\(^9\)

Immigration levels have both direct and indirect impacts on the Social Security trust fund. The SSA Office of the Chief Actuary explains, “Changes in the number of immigrants entering the country have direct and immediate effects on the size of the
working-age population, the size of the labor force, the number of workers in OASDI covered employment, and thus the size and growth rate in Gross Domestic Product. . . . Changes in the number of immigrants entering the country also have substantial indirect effects, through changes in the future number of births and their resulting input on the size of the working-age population, the size of the labor force, the number of workers in OASDI covered employment, and thus the size and growth rate in GDP.”

The SSA Actuaries explain that due to the relatively young age that immigrants enter the United States and the way that Social Security is structured, immigrants provide substantial increases in revenues decades before they begin to affect the costs associated with the program. Citing the case of a moratorium on legal immigration, which would reduce the labor force growth rate by one quarter of one percent, the actuaries note that this would cause a similar rate of reduction in GDP growth and that this negative effect would not begin to be offset for “about 40 years” when fewer individuals reach retirement age: “Therefore, a substantial reduction in the number of legal immigrants would reduce the growth rate in the GDP and the OASDI taxable payroll (the tax base for the program) for several decades before there would be a significant effect on the growth rate in the cost of the program.” Similarly, the SSA Actuaries note that the lower number of births caused by lower levels of immigration would not be evident in the form of fewer beneficiaries “for about 60 years.”

The analysis and data provided by the Social Security Administration for each of the five legal immigration scenarios are described in detail below. The five scenarios are: 1) a moratorium on all legal immigration; 2) a 41 percent reduction in legal immigration as proposed in Congress in 1996; 3) a 33 percent reduction in legal immigration; 4) a 20 percent increase in legal immigration; and 5) a 33 percent increase in legal immigration.

For each of the scenarios there are two ways to present the impact of changing the level of legal immigration. The first approach is to show the percentage change in the relative size of the actuarial deficit. In other words, does the immigration change increase or decrease the actuarial deficit and by how much. “These changes may also be viewed in terms of the percentage change they imply in the relative size of the actuarial deficits that are estimated under present law for the 50-year and 75-year valuation periods,” note the SSA Actuaries. The second approach is to document the impact on U.S. taxpayers, both collectively and individually, of changes in legal immigration levels with regards to Social Security taxes and revenues in the trust fund. Table 1 summarizes the findings for the five scenarios using both approaches.

It should be noted that the impact for each change in legal immigration limits is about the same for both the 50-year and 75-year timeframes. The SSA Actuaries explain: “The size of the OASDI taxable payroll is affected immediately by a change in the rate of legal immigration, with the partially offsetting effect on the benefits payable not appearing for roughly four decades.” It’s noted that although the impact of immigration reductions or increases is roughly the same for the 50 and 75-year periods, the percentage change is larger for the 50 year period primarily due to the larger overall payroll size in the 75 year period.
### Table 1
Impact of Legal Immigration on the Social Security Trust Fund and U.S. Taxpayers

<table>
<thead>
<tr>
<th>Scenario for Legal Immigration</th>
<th>Increase/Decrease in Actuarial Deficit over 50 years</th>
<th>Tax Increase Needed to Compensate for Lost Revenues to Social Security over 75 years</th>
<th>Tax Increase Needed to Compensate for Lost Revenues to Social Security over 50 years</th>
<th>Payroll Tax Increase over 10 years for individual American earning $60,000 in 2004 to compensate for lost Social Security revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) zero legal immigration</td>
<td>31 percent increase in trust fund deficit</td>
<td>$346 billion</td>
<td>$407 billion</td>
<td>$1,860</td>
</tr>
<tr>
<td>2) Reduce legal immigration by 41% (proposed in 1996)</td>
<td>13 percent increase in trust fund deficit</td>
<td>$133 billion</td>
<td>$165 billion</td>
<td>$720</td>
</tr>
<tr>
<td>3) Reduce legal immigration by 33%</td>
<td>10 percent increase in trust fund deficit</td>
<td>$111 billion</td>
<td>$132 billion</td>
<td>$600</td>
</tr>
<tr>
<td>4) Increase legal immigration by 20%</td>
<td>6 percent decrease in trust fund deficit</td>
<td>$72 billion in Social Security savings for taxpayers</td>
<td>$97 billion in Social Security savings for taxpayers</td>
<td>$360 in tax savings (while maintaining currently projected actuarial balance)</td>
</tr>
<tr>
<td>5) Increase legal immigration by 33%</td>
<td>10 percent decrease in trust fund deficit</td>
<td>$121 billion in Social Security savings for taxpayers</td>
<td>$138 billion in Social Security savings for taxpayers</td>
<td>$600 in tax savings (while maintaining currently projected actuarial balance)</td>
</tr>
</tbody>
</table>

Source: Social Security Administration Office of the Chief Actuary, 2004 Board of Trustees Report, National Foundation for American Policy. The changes in actuarial balance are supplied in the SSA Office of the Chief Actuary’s analysis. The SSA analysis and the present value of effective taxable payroll for each of the five immigration scenarios provided by SSA are available in the Appendix posted at [www.nfap.net](http://www.nfap.net). Note that the effective taxable payroll is different for each of the scenarios because changing the level of legal immigration affects the size of the taxable payroll. Dollar values for tax increase needed to compensate for lost revenues to Social Security over 50 and 75-year periods are in present value (which 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). From a base of 800,000 legal immigrants annually, the change in legal immigration levels for each of the scenarios is: Scenario 1: –800,000; Scenario 2: –330,000; Scenario 3: –264,000; Scenario 4: +160,000; and Scenario 5: +264,000. The tax increase for an individual American earning $60,000 in 2004 is calculated by multiplying $60,000 times the change in payroll tax rate needed to compensate for each change in the level of legal immigration, and then multiplying the result by 10. The changes in payroll tax rate for each of the scenarios are: Scenario 1: -.0031; Scenario 2: -.0012; Scenario 3: -.0010; Scenario 4: +.0006; Scenario 5: +.0010. This does not assume any increase in earnings for the ten-year period or discounts to present value.
SCENARIO 1: IMPACT OF A MORATORIUM ON LEGAL IMMIGRATION ON THE SOCIAL SECURITY TRUST FUND AND U.S. TAXPAYERS

In the past, anti-immigration organizations and lawmakers have called for a moratorium on legal immigration to the United States. The analysis from the SSA Office of the Chief Actuary illustrates that eliminating legal immigration would devastate the Social Security system by increasing the size of the actuarial deficit by 31 percent over a 50-year period. This reduction of 800,000 in legal immigration annually is from a base of 800,000, as detailed in the SSA Actuaries’ analysis.

To compensate for the loss of revenue caused by a moratorium would require increasing Social Security taxes on Americans by $407 billion in present value over 50 years and $346 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. (This does not assume any increase in earnings for the ten-year period or discounts to present value.) These and other revenue figures are derived from the data provided by the Social Security Administration in the analysis and the 2004 Trustees report. (See Appendix and Table 1.)

These data show that over the next over the next 75 years, new legal immigrants entering the United States will provide a net benefit of $346 billion in present value to America’s Social Security system, according to official Social Security Administration data. Over 50 years, new legal immigrants entering the United States will provide a net benefit of $407 billion in present value to America’s Social Security system. 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).

SCENARIO 2: IMPACT OF REDUCING LEGAL IMMIGRATION BY 41% AS PROPOSED IN 1996 HOUSE IMMIGRATION BILL

In 1996, Congress seriously considered proposals to reduce substantially legal immigration. S. 1394 would have reduced legal immigration by approximately 330,000 a year, or 41 percent, according to the U.S. Department of State. After much debate, those efforts were defeated in the Senate, while similar large-scale legal immigration reductions were stopped in the House. If the cuts in legal immigration proposed in Congress in 1996 were to become law today, the size of the Social Security actuarial deficit would increase by 13 percent over a 50-year period.
In addition, such a large reduction in legal immigration would require $165 billion in present value in tax increases over 50 years (and $133 billion over 75 years) to make up for the lost revenue caused by the significant legal immigration reductions. 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.

SCENARIO 3: IMPACT OF A 33% REDUCTION IN LEGAL IMMIGRATION

A 33 percent reduction in legal immigration would increase the actuarial deficit by 10 percent over 50 years and result in lost revenues of $132 billion in present value over 50 years and $111 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 $600 over the next 10 years. The reduction of 264,000 (or 33%) in legal immigration annually is from a base of 800,000.

SCENARIO 4: IMPACT OF A 20% INCREASE IN LEGAL IMMIGRATION

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 6 percent if Congress passed a 20 percent rise in legal immigration annually (160,000 more immigrants a year.) A 20 percent legal immigration increase would add $97 billion in present value to the Social Security trust fund over 50 years and $72 billion over a 75-year period. A 20 percent increase in legal immigration would mean that an American earning $60,000 in 2004 could have their Social Security taxes reduced by $360 over 10 years and maintain the current actuarial balance. The increase of 160,000 in legal immigration annually is from a base of 800,000 (for a total annual level of 960,000), as detailed in the SSA Actuaries’ analysis.

SCENARIO 5: IMPACT OF A 33% INCREASE IN LEGAL IMMIGRATION

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). A 33 percent increase in legal immigration would increase revenues to Social Security by about $138 billion in present value over 50 years and $121 billion over 75 years. A 33 percent increase in legal immigration would mean that an American earning $60,000 in 2004 could have their Social Security taxes reduced by about $600 over 10 years and Social Security would maintain the actuarial balance that is currently projected over that period. The increase of 264,000 in legal immigration annually is from a base of 800,000 (for a total annual level of 1,064,000).
TOTALIZATION AGREEMENT WITH MEXICO

This paper does not take a position on the U.S.-Mexico totalization agreement, except to note that there is no evidence that it would affect the analysis provided here by the SSA Office of the Chief Actuary, particularly given the magnitude of the gains to the Social Security system from immigration. In simplest terms, the U.S.-Mexico totalization agreement would allow noncitizens to receive Social Security benefits outside the United States if they have worked a particular length of time in America. The United States has similar pacts with several other countries. These types of agreements are reciprocal, meaning that Americans who work in Mexico would also benefit. “Under the agreements, U.S. employers and their workers sent temporarily abroad would benefit by paying only U.S. Social Security taxes, and foreign businesses and their workers would benefit by paying only social security taxes to their home country,” notes the Government Accountability Office (GAO). “Second, the agreements provide benefit protection to workers who have divided their careers between the United States and a foreign country, but lack enough coverage under either social security system to qualify for benefits, despite paying taxes into both systems. Totalization agreements allow such workers to combine (totalize) work credits earned in both countries to meet minimum benefit qualification requirements. Third, most totalization agreements improve the portability of social security benefits by removing rules that suspend benefits to noncitizens who live outside the benefit-paying country.”

The Social Security Administration has estimated that the cost of the agreement would be $78 million the first year and $650 million by 2050. Barbara D. Bovbjerg, director of Education, Workforce, and Income Security Issues for the Government Accountability Office (GAO), stated in Congressional testimony that it’s possible that the SSA Office of the Chief Actuary could have underestimated these costs given the large number of undocumented Mexican immigrants in the United States both today and in the future. The GAO testimony noted that while SSA has underestimated costs of totalization agreements in the past, it has not done so on any agreement since 1991. The GAO testimony did not seem to take into account that increased levels of immigration (even surprisingly illegal immigration) improve the actuarial balance of Social Security. At the same hearing, SSA Commissioner Jo Anne B. Barnhart testified, “As is the case with our existing agreements, a totalization agreement with Mexico would not alter current law on this issue. Totalization agreements do not have any effect on the prohibition against payment of benefits to illegal aliens in the United States.”

It is worth noting that even if the costs of the totalization agreement were higher than estimated, it would not change the finding that new legal immigrants over the next 50 years will provide a net benefit of $407 billion in present value to America’s Social Security system. Critics of the totalization agreement have, in part, couched their arguments in the context of the impact the agreement could have on the Social Security
trust fund. If critics of the agreement are interested in improving the actuarial balance of Social Security, then one approach is for them to encourage increases in legal immigration.

CONCLUSION

Over the next 50 years, new legal immigrants entering the United States will provide a net benefit of approximately $407 billion in present value to America’s Social Security system, according to official Social Security Administration data. The data from the SSA Actuaries illustrate that any significant reduction in legal immigration would worsen the financial status of the Social Security system and make any reforms to the system far more difficult to achieve. However, increases in legal immigration would provide a significant boost to Social Security. Even though the debate on immigration to the United States extends beyond the impact of legal immigrants on the Social Security trust fund, given the interest in strengthening Social Security this report provides important data for officeholders. Policy makers 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.
The changes in actuarial balance are supplied in the SSA Office of the Chief Actuary’s analysis. The SSA analysis and the present value of effective taxable payroll for each of the five immigration scenarios provided by SSA are available in the Appendix posted at www.nfap.net. Note that the effective taxable payroll is different for each of the scenarios because changing the level of legal immigration affects the size of the taxable payroll. Dollar values for tax increase needed to compensate for lost revenues to Social Security over 50 and 75-year periods are in present value (which 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). From a base of 800,000 legal immigrants annually, the change in legal immigration levels for each of the scenarios is: Scenario 1: –800,000; Scenario 2: –330,000; Scenario 3: –264,000; Scenario 4: +160,000; and Scenario 5: +264,000. The tax increase for an individual American earning $60,000 in 2004 is calculated by multiplying $60,000 times the change in payroll tax rate needed to compensate for each change in the level of legal immigration, and then multiplying the result by 10. The changes in payroll tax rate for each of the scenarios are: Scenario 1: -.0031; Scenario 2: -.0012; Scenario 3: -.0010; Scenario 4: +.0006; Scenario 5: +.0010. This does not assume any increase in earnings for the ten-year period or discounts to present value.
About the Author

Stuart Anderson is Executive Director of the National Foundation for American Policy, a non-profit, non-partisan public policy research organization in Arlington, Va. focusing on trade, immigration, and related issues. Stuart served as Executive Associate Commissioner for Policy and Planning and Counselor to the Commissioner at the Immigration and Naturalization Service from August 2001 to January 2003. He spent four and a half years on Capitol Hill on the Senate Immigration Subcommittee, first for Senator Spencer Abraham and then as Staff Director of the subcommittee for Senator Sam Brownback. Prior to that, Stuart was Director of Trade and Immigration Studies at the Cato Institute in Washington, D.C., where he produced reports on the military contributions of immigrants and the role of immigrants in high technology. He has an M.A. from Georgetown University and a B.A. in Political Science from Drew University. Stuart has published articles in the *Wall Street Journal*, *New York Times*, *Los Angeles Times*, and other publications.

About the Merage Foundation for the American Dream

The Merage Foundation for the American Dream, which provided funding for this study, was initiated in late 2004 to help American immigrants live their American Dream and to help Americans better understand the impact of immigration on the nation. The Foundation was initiated by Paul Merage, founder and former head of CHEF AMERICA. Paul Merage, an immigrant from Iran, is President of the Foundation. The Foundation is directed by Marshall Kaplan, former Dean of the Graduate School of Public Affairs, as well as head of the Wirth Chair and Institute for Public Policy, at the University of Colorado. The Foundation provides stipends to college seniors who are immigrants to pursue their American Dream. It also publishes an Occasional Paper series. Stuart Anderson’s paper is the third paper in the series. Previous papers focused on crime and immigration and the economic and fiscal costs of immigration. The Foundation prepares DVDs and educational materials concerning America’s immigration history and immigrant leaders who have contributed to America. The first four DVD’s have been distributed to over 1200 high schools as well as to community organizations. The DVDs include profiles of Jack Rosenthal former Pulitzer Prize winning editor of *The New York Times*; Dr. David Ho, *Time Magazine*’s Person of Year in 1996 and a distinguished scientist; and Isabel Allende, internationally respected author. The Foundation convenes national and regional forums on immigration issues.
ENDNOTES

1 My appreciation to Steven Camarota of the Center for Immigration Studies and the staff of the SSA Office of the Chief Actuary on the recalculation that appear in this paper.
3 Ibid., p. 151.
5 The Social Security trust fund is also known as the Federal Old-Age and Survivors Insurance and Disability Insurance (OASDI) trust fund(s).
6 September 15, 2004 Memorandum from Deputy Chief Actuary Alice H. Wade, Actuary Felicite C. Bell, Actuary Michael L. Miller.
7 Testimony of Alan Greenspan before the Special Committee on Aging, U.S. Senate, February 27, 2003. Emphasis added.
9 Remarks by Chairman Alan Greenspan at a symposium sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming, August 27, 2004. Chairman Greenspan also said in the speech, “Of course, immigration, if we choose to expand it, could also lessen the decline of labor force growth in the United States. As the influx of foreign workers that occurred in response to the tight labor markets of the 1990s demonstrated, U.S. immigration does respond to evolving economic conditions. But to fully offset the effects of the decline in fertility, immigration would have to be much larger than almost all current projections assume.”
10 September 15, 2004 Memorandum from Deputy Chief Actuary Alice H. Wade, Actuary Felicite C. Bell, Actuary Michael L. Miller.
11 Ibid.
12 Ibid.
13 Ibid.
14 Ibid.
15 Ibid.
16 Ibid. The SSA Actuaries note that it is roughly the same because one aspect affects the 50-year-period more and another element impacts more the 75-year-period. “The combined effects of these implications would tend to result in a greater change in the OASDI actuarial balance for the 50-year valuation period than the 75-year period. However, the effect of the change in the number of children being born to legal immigrants is not evident in the workforce for about two decades, and thus would result in a greater change in the actuarial balance for the 75-year valuation period than for the 50-year period.” In other words, while fewer arriving immigrants affects the OASDI taxable payroll immediately and thus exerts more of an impact on the 50-year timeframe, the fewer births that result due to lower immigration will affect the size of the payroll more in the 75-year period, thus producing a similar impact for both timeframes.
17 Ibid.
18 See for example The McLaughlin Group, transcript for the week of September 3, 1999. In response to a question from the host on whether there should be a moratorium on immigration, FAIR Executive Director Dan Stein responded, “Give us a 50-year breather to absorb and assimilate.” When the host asked, “How many years?” Mr. Stein responded, “Fifty years – to absorb and assimilate the waves that have come.”
19 The change for each of the five scenarios is measured from the actuarial balance for the intermediate assumptions of the 2004 Trustees Report. The SSA Actuaries expressed the change in the actuarial deficit as a percentage of payroll.
20 All figures are in present value dollars as of January 1, 2004.
State Department, S. 1394 (104th Congress). The reduction of 330,000 in legal immigration annually is from a base of 800,000, as detailed in the SSA Actuaries’ analysis.


Ibid.

Illegal immigrants who work, unless paid “off the books” in cash, would likely pay F.I.C.A. taxes.