

Immigration and the Public Coffers

Determining how immigrants and their descendants affect government budgets is a widely debated issue. Economists overwhelmingly accept the economic gains of immigration, but are less certain about immigrants' effect on government budgets. As Cato policy analyst Alex Nowrasteh writes in "The Fiscal Impact of Immigration" (Working Paper no. 21), contention over this issue is fueled by a complexity of analysis that obscure the true costs of immigration. Take, for example, public education. This is one example of a front-loaded cost expended on children and young adults at the beginning of their lifespan, while Medicare and Social Security are back-loaded costs expended closer to the end of the recipient's life span. The inter temporal structure of many government programs makes age a relevant factor in analyzing the

fiscal costs of immigration, but so do other factors such as the skill level, fertility, and language ability of the immigrants themselves. "This is not much different from the fiscal impact of newborn children," Nowrasteh writes, "who consume vast amounts of public schooling before paying taxes." The working life of an immigrant, however, can be shorter than that of a native, because immigrants often immigrate later in life, after their window for taking advantage of government-funded education expires. The types of public goods consumed by immigrants also affect their fiscal impact. If the public goods are "pure," meaning that they are nonrivalrous and nonexcludable, then



more taxpayers in the form of immigrants spread out the tax cost without diminishing the quality of the goods. Immigrants lower the tax burden of providing pure public goods. But, if the public goods are "congestible," more immigrants could decrease the quality of the goods, prompting the government to spend more tax dollars to maintain the quality. Nowrasteh details each of these considerations in full. But, he concludes, "a worldview... where the chief value of an additional American is determined by the size of their net-tax contribution is fundamentally flawed and a testament to how dehumanizing a large welfare state can be."

APPROACHING FEDERALISM WITH CAUTIOUS OPTIMISM

Federalism is a political system with multiple levels of government, each of which has some degree of autonomy from the others. The

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United States has a federalist system that encompasses the national government, states, and localities. As Ilya Somin, professor of law at George Mason University, writes in **“Libertarianism and Federalism”** (Policy Analysis no. 751), the United States adopted this system in part to prevent abuses of power and to preserve individual liberty. He notes that federalism serves those goals by helping individuals to “vote with their feet,” thereby fostering interjurisdictional competition. In many ethnically divided societies, federalism can also enhance liberty by reducing ethnic conflict and oppression. “But federalism is not an unalloyed boon for freedom,” Somin adds. Such benefits are most likely to be found in federal systems where subnational governments have an incentive to compete for residents and businesses. It’s critical to remember that federalism can also endanger liberty or property by empowering subnational governments to exploit owners of immobile assets, most notably land. It can also permit local majorities to oppress local minorities. Contrary to James Madison’s expectations, federalism in the current era is unlikely to constrain the national government since states have incentives to support the expansion and

centralization of power in Washington. Whether federalism enhances liberty therefore depends on its circumstances and institutional design. “Federalism is often a valuable tool for protecting freedom,” Somin writes, “but can also be a menace.” He concludes that libertarians have good reason to support this institution in many situations, but they should approach it with caution.

THE KEYS TO TRANSIT

Prompted by federal funding, more than 30 American cities have built or are building new rail transit lines. Yet, according to Cato senior fellow Randal O’Toole, these expensive lines have debatable value. They put transit agencies in debt and impose high maintenance costs, yet they carry few riders more than the buses they replace and produce minimal, if any, environmental benefits. In **“Rapid Bus: A Low-Cost, High-Capacity Transit System for Major Urban Areas”** (Policy Analysis no. 752), O’Toole proposes, as an alternative,



“rapid bus” system that would offer fast, frequent, and comfortable transportation. Through his analysis, O’Toole estimates the annualized costs of such a system. “A light-rail system with four lines radiating from downtown can only move about 36,000 people into downtown per hour,” he writes. “About the same number of people can be moved with a rapid-bus system at a 22 percent lower cost.” In addition, while rail lines serve a limited number of corridors, a rapid bus system can reach nearly everyone in an urban area. It would offer more frequent service at faster average speeds and fewer transfers between transit vehicles. O’Toole notes that while rapid buses cannot cost-effectively replace the long-established subways and commuter trains serving New York City, they could save taxpayers’ money by replacing aging rail transit systems in Boston, Chicago, Philadelphia, San Francisco, and Washington. In conclusion, transit in most cities is unsuccessful because jobs and housing have become so spread out. As such, O’Toole proposes an alternative that relies on smaller vehicles capable of going from more origins to more destinations, all at lower cost. ■

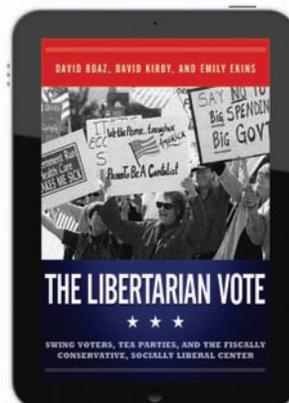
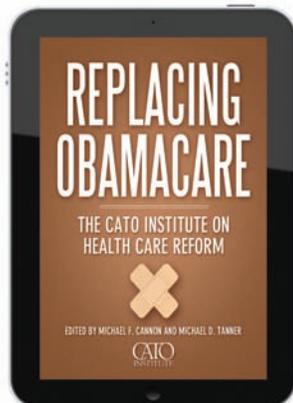
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