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Abstract	Many studies use a Harberger triangle method to estimate the immigration surplus to the native born population and conclude that the benefit of immigration is very small in proportion to the size of the US economy and thus the United States does not to stand to lose much if immigration is further restricted. This calculation neglects the rent seeking costs that the US economy bears when immigration policy is politically determined. This study estimates the rent seeking losses that the US economy could suffer if immigration policy were reformed to further close the borders.

AUTHOR'S PROOF

Coyote ugly: the deadweight cost of rent seeking for immigration policy

Benjamin Powell

Abstract Many studies use a Harberger triangle method to estimate the immigration surplus to the native born population and conclude that the benefit of immigration is very small in proportion to the size of the US economy and thus the United States does not to stand to lose much if immigration is further restricted. This calculation neglects the rent seeking costs that the US economy bears when immigration policy is politically determined. This study estimates the rent seeking losses that the US economy could suffer if immigration policy were reformed to further close the borders.

1 Introduction

Immigration reform resurfaced as a major political issue in the first decade of the twenty first century. President Bush and backers of a McCain–Kennedy Senate bill called for establishing a so-called guest worker program as well as easing the path to citizenship for an estimated 11 million illegal immigrants already in the United States. The House of Representatives Republicans backed a bill requiring the illegal immigrants in-country to return home and strengthening border security without guaranteeing any relaxation of the legal obstacles to immigration. The response to stricter immigration requirements was dramatic. News media gave the issue tremendous coverage, numerous think tanks, and lobbyists produced immigration studies, and protests were organized. The result was a political stalemate. The recent political battle over immigration highlights an important shortcoming in the academic research on the economics of immigration. Scholars have not taken rent seeking costs into account when estimating immigration's impact on the US economy.

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Two separate strands of literature study the economics of immigration. In one strand, numerous articles estimate the impact of immigration on the economy, including the wages and employment opportunities of the native born population, the fiscal costs and benefits of immigration, how immigration and trade interact, immigration's impact on long run growth, and the size of the immigration surplus created for native citizens.[1] The estimates of the immigration surplus are of the most relevance for this study.[2] The immigration surplus is the net benefit that accrues to the native born population because of immigration. It is estimated as the size of the gains to capital owners and consumers who benefit from the services provided by immigrant labor net of the cost in terms of lower wages to the native born for whom the immigrants represent potential substitutes.[3] George Borjas pioneered the immigration surplus literature and often uses this approach to measure the gains to the US economy from immigration (1995, 1999, 2008).[4] His most recent estimate is that immigration increases the real income of the native born by about 0.2% (Borjas 2008: 256). Although Borjas supports tighter restrictions on immigration, even economists who support more open immigration often agree that while the net surplus from immigration is positive, it is also relatively small compared to the size of the US economy.[5] However, calculations of the immigration surplus have ignored the literature on the political determinants of immigration policy.

The political economy literature has examined how immigration will affect income redistribution (Mayr 2007), how it will impact constitutional consent (Josten and Zimmermann 2005), and how fiscal spending can influence immigration in an open labor market such as the one between many EU countries (Thum 2004). But most of the literature uses median voter or interest group models to explain why particular immigration policies are adopted. Median voter models typically explain the adoption of immigration policies as determined by the distribution of ownership of capital. Benhabib (1996) shows that when capital-poor voters are in the majority, restrictive immigration policies will be favored, but that in countries where the capital-rich are in the majority more open immigration policies will be favored. Similarly, Flores (1997) uses a median voter model to demonstrate that immigration policy will be determined by the distribution of ownership of the factors of production.

Other public choice economists have modeled the determination of immigration policy as the outcome of interest group competition. These studies typically model the divergent interests of skilled workers, unskilled workers, and capital owners. Sollner (1999) develops an interest group model and shows that immigration increases the income of capital owners and skilled workers but decreases the income of unskilled workers. Scheve and Slaughter (2001) demonstrated empirically that low-skilled workers tend to prefer restrictive immigration policies whereas capital owners prefer more open policies. Haus (1995) explains how transnational interest groups can create more open immigration policies than domestic interest groups can. Shughart et al. (1986) have modeled the interest group pressure applied by

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[1] See Friedberg and Hunt (1995), Ghatak et al. (1996), Schiff (1996) and Commander et al. (2004) for surveys of the various aspects of the literature on economics and immigration.

[2] The immigration surplus literature is surveyed in Drinkwater et al. (2002).

[3] Whether immigrants depress the wages of the native born population is a debated topic. See Card (1990), Borjas (2003), and Card (2005), for some of the key papers in the debate.

[4] Bauer and Zimmermann (1999) employ the Borjas approach to measure the impact of immigration on the EU economy.

[5] See, for instance, the Independent Institute's "Open Letter on Immigration" signed by more than 500 economists, which states, "Overall, immigration has been a net gain for American citizens, though a modest one in proportion to the size of our 12 trillion-dollar economy." http://www.independent.org/newsroom/article.asp?id=1727

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laborers and producers and found that a government regulator would tend to favor labor during recessions and capital owners during economic expansions. Amegashie (2004) comes to a similar conclusion.

Kaempfer et al. (2004) model interest groups differing in terms of their political lobbying effectiveness on the immigration issue. They find that if groups were all equally effective, open immigration policies would be adopted. However, because labor interests are organized in unions, they are able to surmount the collective action costs of organizing and avoid free riding better than consumers or capital owners, so socially inefficient immigration restrictions are adopted. Facchini et al. (2004) complement this model in an empirical study of ten Western European countries; they find that a ten-percentage point increase in union density leads to a one-percentage point decrease in the share of immigrants in the population. Facchini et al. (2007) empirically examine lobbying activity and H1B visas in the United States. They find that both pro- and antiimmigration lobbying groups have a statistically and economically significant impact in determining the number of H1B visas issued across industries.[6] Finally, Chau (2003) shows how politicians can bundle reform proposals to include both employer sanctions and amnesty for existing illegal immigrants as a way to capture rents by reducing the deadweight costs employer sanctions would entail.

Although much work has been done by public choice economists to study the political dynamics that determine immigration policy, the results of that research have not influenced how the immigration surplus is calculated. If interest groups determine immigration policy, then rent seeking costs will impact the size of the immigration surplus resulting from any policy change. Yet, when the size of the deadweight costs of the restrictions in the last major immigration reform bill was calculated (Reynolds and McCleery 1988), rent seeking costs were left out. Discussions of the recent House and Senate Reform bills also fail to take account of these costs when they imply that a more restrictive policy will risk losing only the relatively modest immigration surplus the United States currently enjoys.

The immigration surplus literature is in a situation similar to economists' estimates of the deadweight costs of monopoly up until the late 1960s. Harberger's (1954) influential paper estimated that the deadweight cost of monopolies in the United States was only 0.1% of the GNP. Estimates of this magnitude went unchallenged until Tullock (1967) showed that the true costs of politically determined monopolies were not just the lost gains from trade between suppliers and consumers but also the resources that were spent trying to secure monopoly rights from the government. Immigration policy is politically determined and is the object of rent seeking by labor, business, and consumer interests. As a result, the current immigration surplus calculations are not accurate estimates of the losses the US economy will suffer if it moves to a more restrictive immigration policy.

This paper employs public choice insights to better estimate the deadweight cost of further immigration restrictions in the United States. Section 2 follows the standard method of calculating the immigration surplus. The potential rent seeking losses caused by closing the borders are estimated in Sects. 2.1 and 2.2. Sections 2.1 and 2.2 also contains a discussion that considers how rent seeking changes the impact of efforts to liberalize immigration policy. Section 3 estimates the deadweight losses from the 2005/2006 House and Senate immigration reform bills. Section 4 concludes.

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[6]H1B visas allow highly skilled "specialty occupation" workers from abroad to come to the United States to work.

2 Calculating the immigration surplus

Borjas's (1995, 1999, 2008) basic method of calculating the immigration surplus relies on a competitive, market clearing model with no externalities. He explicitly recognizes that he is following the standard Harberger methodology, "Using a well-known formula in economics (a variation on the theme of the so-called Harberger triangle), we can estimate that immigration increases the real income of natives, but only by about 0.2%" (Borjas 2008: 256). Borjas relaxes some assumptions to estimate how the immigration surplus will vary under other conditions, including when immigrants also increase the capital stock (1999: 94) (1995: 9), if they do not lower the wages of natives (1999: 96) (1995: 10), if they generate externalities (1999: 96) (1995: 11–12), and if they have skills different than those of the native born population (1999: 98–103) (1995: 12–14). However, neither Borjas nor other economists who estimate the immigration surplus incorporate rent seeking costs into their estimate of the immigration surplus.

The basic model for the standard immigration surplus calculation assumes that economic output is a function of capital and labor, $Q = f(K, L)$, and that the capital stock is unaffected by immigration. Natives and foreigners are considered to be perfect substitutes so that the total labor force is $L = N + M$, where N is the number of native born workers and M is the number of immigrant workers. It is further assumed that the supplies of capital and labor are perfectly inelastic and that the production function is characterized by constant returns to scale. The model is static. It does not account for population or economic growth through time.

The economy is in equilibrium, so factor prices equal their marginal products. Prior to the entry of immigrants, total native earnings are $Q_N = r_0 K + w_0 N$, where r_0 is the price of capital and w_0 is the price of labor. Figure 1 illustrates the initial equilibrium graphically where national income for the native born equals the trapezoid ABN0.

When immigrants enter this economy they shift the supply of labor out, and the equilibrium wage falls to w_1 so that total national income now equals ACL0. The net immigration surplus to the native born population is given by the familiar Harberger triangle BCD, or $\frac{1}{2} \cdot (w_0 - w_1) \cdot M$.

Rewriting the immigration surplus as a fraction of national income results in:

$$(\Delta Q_N / Q) = -\frac{1}{2} s e m^2,$$

Fig. 1

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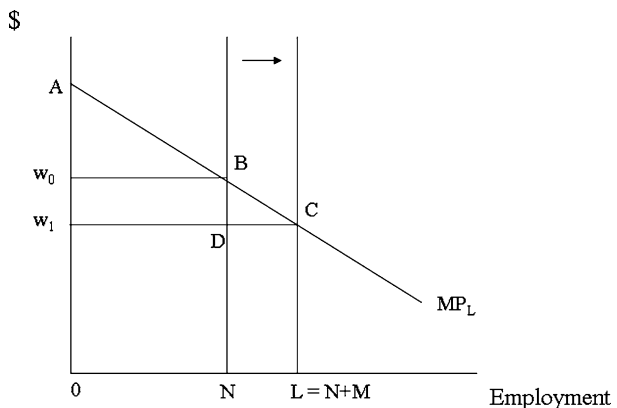
where s is the share of national incoming going to labor, e is the elasticity of labor demand with respect to the wage, and m is the fraction of immigrants in the labor force. Labor's share of national income has been relatively stable, averaging 70.5% during the last 50 years (Pakko 2004). Hamermesh's (1993) widely cited survey of labor demand found its elasticity to be -0.3. In 2007, there were approximately 24 million foreign born workers in the US labor force comprising 15.7% of the total civilian labor force (BLS 2008). Solving the above equation for these values implies that immigration has raised the income of the native born population by approximately 0.26% of GDP, or approximately \$35.9 billion in 2007. This net gain to the native population is the amount that the gains to capital owners exceed the losses to laborers. Although using the Harberger triangle method of calculating the net surplus from immigration yields only a modest quarter of 1% of GDP, changes in immigration policy can secure sizable rents for labor or capital interests. If the rents become the object of rent seeking activity, then the deadweight loss that a change in immigration policy would create could be substantially larger than the \$36 billion Harberger triangle surplus.

2.1 Estimating the rent seeking costs

In the above model, immigration creates a substantial income shift away from laborers and toward owners of capital. Thus, immigration restrictions would create rents that laborers would lobby to secure and capital owners would lobby to defend. Therefore, the impact of changes in immigration policy on the surplus needs to take account of deadweight rent seeking losses as well as Harberger triangle losses.

At this point, it is necessary to distinguish between stocks and flows of immigrants. Immigration policy has allowed the annual flow of immigrants to result in a current stock of 24 million foreign born workers. Critics of immigration rarely advocate deporting all foreign born workers but do sometimes advocate closing the border to any future flow. Over time the effect of the closed border (if effectively enforced) would eventually shrink the percentage of foreign born workers to 0% of the labor force.[7] Graphically in Fig. 1, closing the borders would continually shift the L curve backward until it reached N. If we assume that without closing the borders the fraction of foreign born workers in the workforce would have remained stable, we can calculate the transfers closing the border would create.

By moving from current policy to closed borders, workers stand to gain the area $w_0 B D w_1$ in Fig. 1, and capital owners (and other consumers of immigrant services) stand to lose that area plus the triangle BCD in the long run. Expressed as a percentage of national income, the gain to domestic laborers in moving from current levels of immigration to a completely closed border leads to:

$$(\text{Change in Native Labor Earnings}/Q) = sem(1 - m)$$

and capital owners lose that amount plus the surplus:

$$(\text{Change in Income of Capitalists}/Q) = -sem\left(1 - \frac{1}{2}m\right).$$

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[7]Of course, it would take time for all the existing foreign born workers to retire, so the transfer would be smaller but would grow annually until it reached the point calculated here. Alternatively, if all foreign born workers were deported, the labor force would immediately jump from L to N.

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In the United States today that means laborers stand to gain 2.8% of GDP, or \$386 billion. Owners of capital would stand to lose that transfer plus the immigration surplus triangle, approximately 3% of GDP, or \$422 billion.

Borjas assumes the \$386 billion would simply be a transfer, "Immigration redistributes wealth from labor to capital," and when immigration lowers wages "These lost earnings do not vanish into thin air. They represent an income transfer from workers to users of immigrant services" (1999: 91). However, because this is a political decision and \$386 billion of rents are at stake, we can expect organized labor, business interests, and consumer groups to try to capture these rents. The resulting deadweight loss could transform much of the \$386 billion that the literature assumed to be a transfer into further deadweight costs of immigration restrictions.

How much of the \$386 billion could become a deadweight loss from rent seeking? Public choice scholars have devised numerous models to estimate how much of a rent will be dissipated through rent seeking activity.[8] Two important variables are the returns to rent seeking and the degree of political competition over securing the rent. In the case of completely closing the border, the competing interest groups are essentially labor and capital. Either the restriction will be enacted and labor benefits, or the restriction is rejected and capital owners benefit. In this case, we can model the rent seeking game with a fixed number of $n = 2$ players.[9]

For a total rent of value R, risk-neutral interests will choose the investment in rent seeking I to maximize their expected gain

$$EG = \left(\frac{I^r}{I^r + T} \right) R - 1$$

where $r < 1$, $r = 1$, $r > 1$ indicate diminishing, constant, or increasing returns to rent seeking investments and T is the impact of the total rent seeking expenditures by the other $n - 1$ rent seekers, $T = \sum_{j \neq i} I_j^r$. For any given level of spending by other interest groups, the FOC is given by

$$\frac{r I^{r-1} R}{I^r + T} - \frac{r I^{r-1} I^r R}{(I^r + T)^2} - I = 0.$$

If we assume a symmetric equilibrium, a rent seeker will invest I such that[10]

$$I = \frac{(n - 1)}{n^2} r R$$

as long as when I is substituted into the expected gain equations above it results in a positive expected gain; a risk-neutral rent seeker would not otherwise attempt to secure the rent.

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[8]See Mueller (2003: 333–358) for a summary of these models.

[9]In the case of a partial immigration restriction, capital and labor interests would not be unified into two opposing groups. Instead, some capital interests may lobby for highly skilled workers, whereas others would lobby for low-skilled workers or any other subset of the labor force. Labor interests could be similarly divided. As the number of interest groups increases, a more complete dissipation of the rent will occur.

[10]Technically, the gains to the capital owners and users of immigrant services would not be quite symmetrical to the losses to the workers since the capital owners would gain or lose the rent rectangle plus the Harberger triangle while the workers only stand to gain or lose the rectangle. For simplicity, we assume symmetry since the value of the triangle is trivial compared to the rents at stake in the rectangle and would not change our analysis much.

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Multiplying the above by n, we can solve for the total amount invested in rent seeking:

$$nI = \frac{n(n-1)}{n^2}rR = \frac{(n-1)}{n}rR.$$

Total rent seeking as a fraction of rents sought is found by dividing by R:

$$\frac{nI}{R} = \frac{(n-1)}{n}r.$$

Solving with just two competing interest groups, labor and capital owners, and constant returns to scale results in the standard result of half of the rents being dissipated through rent seeking activity. In the case of the United States, closing the border completely and keeping it closed could be expected eventually to result in a deadweight loss from rent seeking of $193 billion per year. Rent seeking losses could be more than five times the deadweight loss generated by the Harberger triangle alone. Total deadweight costs to the US economy would equal $229 billion or 1.7% of GDP. Increasing or decreasing returns to rent seeking varies the estimates, but under most plausible assumptions the deadweight cost of rent seeking is orders of magnitude greater than the Harberger triangle losses.[11]

The above model most likely overestimates the amount of rent seeking activity that would take place in response to a proposal to close the borders. Most importantly, capital and labor interests were each modeled as unified actors. In reality, many capitalists and workers gain or lose from closing the borders. Each would have an incentive to free ride on the lobbying activity of other allied interests. Labor unions and business associations might help mitigate such free riding, but surely a substantial amount would remain. The predicted rent seeking losses of $193 billion would of course be reduced in the presence of significant free riding.

2.2 Rent seeking and liberalization

The above model estimated only increased rent seeking costs of further immigration restrictions from the existing status quo. However, current immigration policies already substantially limit flows of migrants to the United States. Deriving theoretical estimates of the deadweight losses caused by current policy is not possible because we would have to know the percentage of foreign born workers that would be in our labor force as a result of an open borders policy. The relevant counterfactual is unavailable. However, given the substantial income difference between the United States and much of the world, it is likely that many people want to migrate to the United States, so total rent seeking losses from restrictions now in place likely are substantial. In examining trade policy, most estimates of rent seeking compare current policies to a free trade baseline and implicitly assume that a movement from current policy to free trade would be efficient.[12] Thus far, this discussion of immigration has mirrored that by comparing tighter restrictions only to the status quo and briefly discussing the status quo compared to a "free trade in labor" policy.

The question of, "given the current immigration policy, how would attempts to liberalize be met with rent seeking resistance" remains of interest. Tollison and Wagner's (1991)

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[11]With decreasing returns and an r value of 0.5, deadweight losses would be $97 billion. With increasing returns and an r value of 1.5, deadweight losses would be $290 billion. Rents are fully dissipated at an r value of 2; no pure strategy exists for higher values of r. See Higgins et al. (1985) for more on theoretical restrictions on the value of r.

[12]See Mueller (2003: 348–354) for a summary.

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research examining efforts to eliminate monopolies, and inefficient income transfers more generally, is extremely relevant.[13] They argue that,

> Any social value from reform resides not in reforming existing deformities but in creating social arrangements that prevent the emergence of new deformities. Genuine reform, we submit, should ignore the past and look to the future; it should acquiesce in the deformities of the past and should seek only to prevent new ones from arising (1991: 57).

Their reasoning is straightforward. If an interest group receiving a rent resists reform, the efforts of the reformer and the interest group trying to protect its rent will waste more resources than potential Harberger triangle gains. Thus, a wealth-maximizing reformer would not attempt to undertake reform. Applied to our above discussion of immigration, Tollison and Wagner's argument seems to imply that we should maintain the status quo and take the question of immigration policy off the political table.

Tollison and Wagner do leave a couple paths open for immigration liberalization reformers. They note that it would be irrational for an interest group to resist reform if the reformer's force was overwhelming, "rendering negative the expected return to any degree of resistance" (1991: 62). Wittman (1995) and Caplan (2007) argue that interest groups operate on margins of voter indifference to the details of policies but that voters largely get the policies the median voter wants. This leaves the door open for advocates of open borders to convince the mass of the population that policy, like free trade, is in their best interest. If mass public opinion were significantly moved, it could make the success of interest group resistance so unlikely that they would not resist and a move to open borders from the current status quo could be welfare enhancing.

Tollison and Wagner offer another interesting argument that applies to immigration. They consider the case of the "faction minded reformer" who counts the welfare of groups they favor but does not count the welfare of groups they do not. If advocates of open borders view the income transfer caused by the status quo policy as unjust, they may discount (or ignore) the costs to interest groups who lobby for the preservation of the status quo much the way that some people might choose to ignore the cost criminals bear when they are punished. To the extent that open borders advocates do not have lexicographic preferences for economic efficiency but instead also advocate open borders for other moral reasons, they may still advocate for liberalization despite rent seeking losses.

3 Model applied to 2005 and 2006 immigration reform bills

In December 2005, the US House of Representatives passed H.R. 4437, the Border Protection, Antiterrorism, and Illegal Immigration Control Act of 2005. The bill, among other things, would have made illegal immigrants felons, increased penalties on employers who hire illegal immigrants, and erected a fence along much of the border between the United States and Mexico. The bill offered no path toward permanent citizenship for the current illegal immigrants and no guest worker program for future immigrants. The goal of the bill was to move the current illegal immigrant population out of the United States. In contrast, in 2006, the US Senate passed S.2611, the Comprehensive Immigration Reform Act of 2006, otherwise known as the McCain–Kennedy immigration reform bill. This bill would

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[13]Shughart (1999) makes a closely related argument.

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have provided a path to permanent citizenship for the illegal immigrants already in-country and created a guest worker program to allow approximately 200,000 more migrant workers into the United States in each of the next 5 years.

The House and Senate immigration reform bills were essentially opposites of each other. The House bill ultimately aimed at removing current illegal immigrants from the United States, whereas the Senate bill would have created a new "Y" visa that would have allowed current illegal residents of the United States the ability to stay legally for the rest of their lives. Although there was much debate about the guest worker program, with only 1 million foreign born workers affected in total and a legislated date-certain end to the program, the immigration surplus and rents created by the guest worker program would have been relatively small compared to the impact created by removing or legalizing the existing 11 million illegal immigrants. From here forward, we estimate the surplus and rents ignoring the effects of the guest worker program. If the guest worker program were included, our estimates would be marginally higher.

In 2005, 7.2 million of the approximately 11 million illegal immigrants residing in the United States were employed, accounting for approximately 4.9% of the total civilian labor force (Passel 2006). The Bureau of Labor Statistics estimates that, including both legal and illegal immigrants to the United States, 14.8% of the total civilian labor force was foreign born in 2005 (BLS 2006). Assuming the House bill's enforcement provisions would have prevented further illegal immigrants from entering the United States, these competing bills were essentially a fight over whether 14.8% or 9.9% of the US workforce should be foreign born.

Following our methodology from Sect. 2, we can estimate the immigration surplus and the potential rents from these two alternative bills. If the Senate bill became law the number of immigrants in-country would remain the same and the immigration surplus would equal almost $29 billion, with workers losing a transfer to capital owners of $331 billion compared to a situation with no foreign born workers. If the House bill became law the proportion of the foreign born in the workforce would be reduced to 9.9%, the immigration surplus would shrink to $13 billion, and workers would lose a transfer to capital owners of $234 billion compared to a situation with no foreign born workers. Capital and labor interests were fighting over a rent of $97 billion depending on whether the Senate or House bill became law. Using our model from Sects. 2.1 and 2.2 with constant returns from rent seeking activity and only two interest groups, $48.5 billion could be dissipated by rent seeking activity.

The public choice literature contains two main methods for estimating the welfare losses from rent seeking. The first, as outlined above, estimates losses by estimating the areas of profit rectangles and usually finds quite large losses from rent seeking. The second method tries to measure the interest groups' actual expenditures on rent seeking activities. These estimates usually find that the welfare losses are a tiny fraction of the rents at stake.[14] As recent research by Angelopoulos, Philippopoulos, and Vassilatos noted, "The non-observed and non-reported activities involved in creating, extracting, and contesting rents are impediments to direct empirical estimation of the social cost of rent seeking," and thus simply counting measurable expenditures is likely to underestimate the social costs (2009: 280).[15] Despite this difficulty, below we make a rough estimate of actual expenditures surrounding the 2005 and 2006 immigration reform bills and, consistent with the literature, find that actual expenditures fall far short of the rents at stake.

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[14]See Mueller (2003: 355–356) for a summary of the two different methodologies of estimating deadweight losses from rent seeking and their differing findings.

[15]Their study uses a dynamic stochastic general equilibrium model to estimate the social cost of rent seeking in Europe. They find significant social costs of rent seeking in the range of 7% of GDP.

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Rent seeking directly aimed at influencing these bills includes activities by registered lobbyists, mass demonstrations and protests, "studies" by numerous nonprofit organizations, and countless lines of print and hours of talk in media outlets. Open Secrets reports that 314 interest groups listed immigration as an issue. But total spending by these groups was only $153 million in 2005 and $264 million in 2006. Guidestar reports on the budgets and activities of non-profits that are not lobbyists. In 2006, the budget of nonprofits that were primarily focused on immigration was $668 million, and those nonprofits that were partially focused on immigration spent approximately $2 billion. These expenditures include many studies and reports "educating" the public about immigration that do not legally count as lobbying but certainly were an attempt to influence public opinion about immigration policy. Their budgets also include nonrent seeking expenditures as well.

Many people, particularly immigrants in the United States, took time to protest the House bill that would have deported many immigrants. In addition to the high-profile "Day Without an Immigrant" protests staged in cities around the country on May 1, 2006, many other smaller-scale protests occurred while these bills were being debated. We searched US news sources for estimates of the size of each of these protests.[16] We estimate that a total of approximately 4.7 million people took a day off work to attend demonstrations related to these bills. Many of the protesters were likely low-skilled immigrants. If we conservatively estimate an hourly wage of $7 and an 8-hour work day for these protesters, then assuming their absence did not affect the productivity of other workers, the deadweight cost of their absence amounts to approximately $263 million.[17]

The value of space in newspapers and time on television and radio devoted to the passage of these bills is impossible to estimate. Some fraction of the time and space was simply entertainment for readers, viewers, and listeners. But certainly some of the effort by the authors and producers, and the effort of those they interviewed to write or broadcast their stories, was aimed at influencing opinion on these bills and could be considered rent seeking activity. Although we cannot know the breakdown between rent seeking and entertainment, it is clear that a significant amount of coverage was given to the issue. Searching the Lexis-Nexis US print news sources database for stories involving "immigration and bill" during the period when these bills were being considered overloads its search engine. Clearly, significant rent seeking costs occurred in news sources.

The above expenditures were attempts to influence the passage of one of the competing bills, but had the House bill become law there clearly would have been more rent seeking and enforcement costs after the law was implemented. "Coyote" fees, paid to smugglers in Mexico to help illegal immigrants enter the United States, reportedly ranged from $3,000 to $5,000 in 2005 and 2006. With approximately one million illegal border crossing attempts per year, that amounts to $3 billion to $5 billion in rent seeking attempts under existing US immigration law. If 11 million people were deported, many of them might desire to get back into the United States, which could raise the demand for coyotes and result in larger deadweight losses. Of course, if the border was effectively enforced and no coyotes were able to successfully operate, demand would fall to zero, lowering this deadweight cost. But border enforcement costs are themselves a deadweight cost.

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[16]An excel spreadsheet with links to each individual story and its estimate of attendance is available upon request.

[17]Casual observation indicates that the productivity of other workers was adversely affected. I tried to order a meal at an Irish pub in California on May 1st and was told the kitchen was closed because not enough people showed up for work. Thus, the serving staff's productivity was also lowered (and I had to satisfy my hunger by consuming more Guinness).

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Rent protection costs if the House bill became law would include whatever increased Border Patrol expenses would be required to enforce the policy.[18] As of 2006 the Border Patrol's budget stood at nearly $1.6 billion to imperfectly enforce existing immigration policy. It is unclear how much the budget would have had to increase to enforce the proposed reform. Additionally, litigation deadweight costs would need to be added to the losses from the House bill. Attempting to deport 11 million illegal immigrants would generate substantial litigation expenses. The US Citizenship and Immigration Services office allows attorney fees of $240 an hour to be recouped when they are successfully sued. Even if we very conservatively estimate this as the market rate and assume the average deportation case could be resolved with 2 hours of attorney time for each the defense and the prosecution, litigation costs alone would equal nearly $11 billion dollars.

Ultimately, neither the House nor Senate bills became law, so it is impossible to know the counterfactual of how much would have been spent rent seeking and rent protecting to try to get around the law or to enforce it. Given the above discussion, it is likely that these post-passage expenditures would have dwarfed prepassage rent seeking expenditures. With less conservative assumptions about litigation time, those deadweight costs alone could surpass Hargerber losses and account for much of the model's predicted rent seeking. However, it is obvious that actual prepassage rent seeking expenditures supporting the passage of either bill represented a small fraction of the rents at stake.[19]

There are at least four reasons why pre-passage rent seeking expenditures were much smaller than the formal model predicts. The first, as mentioned in the prior section, is that labor and capital interests are not unified actors but instead have an incentive to free ride on the rent seeking activities of allied interests, and thus under-invest in rent seeking compared to the model.[20] Second, much of the rent seeking might have occurred after the passage of the bills as efforts to evade and enforce the law, as discussed above. Third, many commentators thought the House bill was simply unenforceable and that illegal immigrants never would be forcibly removed, and thus interest groups did not bother investing much in rent seeking prior to the bill becoming law. If these commentators were correct, what was at stake de facto was much smaller than what was at stake de jure, implying that interest groups based their rent seeking investment decision on the de facto.

A final and important reason that total rent seeking costs might be lower than the model predicts is that Borjas's underlying model of immigration could be wrong. If immigrants do not push down the wages of native born workers, then there is little reason for the native born population to rent seek for immigration restrictions. Most economic studies find little or no evidence of a general negative effect of immigration on wages.[21] Those studies that do find a negative effect generally find it only for high school dropouts and, moreover, that the effect is generally small, ranging from zero to negative eight percent. Thus, whereas Borjas's model assumes a large transfer from the wages of native born workers to capital owners, the

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[18]See Levine (1999) for a general model that incorporates enforcement deadweight costs of immigration restrictions when estimating the immigration surplus.

[19]See Tullock (1997) for a discussion of why explicit lobbying expenditures are much smaller than the rectangles and how indirect deadweight costs of rent seeking may account for much of the rectangle.

[20]The fact that private sector labor unions (where most immigrants would compete for jobs) have become weaker exacerbates the free riding problem.

[21]Friedberg and Hunt (1995: 42) conclude, "[d]espite the popular belief that immigrants have a large adverse impact on the wages and employment opportunities of the native-born population, the literature on this question does not provide much support for the conclusion." For more recent papers debating the topic, see Borjas (2003) and Card (2005).

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reality may be that capital owners gain while most native born workers are unharmed (or may benefit), and thus there is little reason to lobby to restrict immigration.

This final point does not undermine the policy conclusions of this paper. The main contribution has been an internal critique of Borjas and those who use his estimates to say that little wealth would be lost by restricting immigration. If that model of immigration has predictive power, there are large transfers at stake, and much greater losses would come from restricting immigration than has been assumed. If, however, there is not a transfer from workers to capital owners, as estimated heretofore, then the rent seeking losses would be much smaller, but an important rationale that people use for restricting immigration, the negative effect on the wages of natives, disappears. In either case, the policy implication of this paper is that there should be less support for further restricting immigration than is implied by Borjas's work.

The recent battle over immigration reform highlights the need to incorporate rent seeking costs into estimations of the welfare effect of changes in immigration law. Using Borjas's Harberger triangle methodology, we find significant rents were at stake depending on whether the House or Senate bill became law. Using a standard model, we estimate that losses from rent seeking could be orders of magnitude greater than the Harberger triangles. When measuring actual rent seeking expenditures, we find that they are small compared to the rents at stake and the predictions of the model. We have suggested some reasons why actual pre-passage expenditures are smaller than the model predicts.

4 Conclusion

Although public choice scholars have modeled the formation of immigration policy as the outcome of lobbying by competing interest groups, this insight had not been incorporated into the literature calculating the immigration surplus for the US economy. Following Borjas (1995), the standard methodology has been to utilize a Harberger triangle estimation of the surplus while also showing a significant wealth transfer between laborers and capitalists. Scholars have erroneously concluded that if immigration policy were further restricted the United States would lose only the relatively small Harberger triangle. This paper has shown that much of what economists have previously assumed to be a transfer could become deadweight losses because immigration policy is politically determined and interest groups will invest in rent seeking to secure the transfers. We find that the potential rent seeking losses from further immigration restrictions are orders of magnitude larger than the standard Harberger triangle deadweight loss estimates. A policy of completely closing US borders could cause total rent seeking losses of $193 billion—more than five times the Harberger immigration surplus of $36 billion. The 2005 House of Representatives immigration bill that would have required moving 11 million illegal immigrants out of the United States could have reduced the US immigration surplus by $16 billion but could have generated as much as $48 billion in rent seeking losses, though actual prepassage rent seeking expenditures were considerably less than that figure.

This article is the first to merge the rent seeking literature with the literature that calculates immigration's net benefit to the native born US population. We have used the standard baseline immigration surplus model. Much work remains to be done. Future research could enrich the model by considering how rent seeking would impact the gains from immigration when capital is allowed to vary with immigration, when immigration generates positive or negative externalities, and when immigrants have skill sets different from the native born population. These extensions would refine the estimations, but we expect that our basic

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point, like Tullock's (1967) on tariffs, would remain the same: even if the Harberger triangles at stake are relatively small, placing political restrictions on the free trade of labor creates rent seeking deadweight losses that are potentially orders of magnitude larger.

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