



# The Economics of Immigration

OLLI – Santa Clara University  
January, 2022  
Jennifer Alix-Garcia, PhD




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## National Economic Education Delegation

- **Vision**
  - One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.
- **Mission**
  - NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.
- **NEED Presentations**
  - Are **nonpartisan** and intended to reflect the consensus of the economics profession.

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## Course Outline

- **Contemporary Economic Policy**

- Week 1 (1/5): US Economy & Coronavirus Economics
- Week 2 (1/12): Climate Change Economics (Bevin Ashenmiller, Occidental College)
- Week 3 (1/19): Health Economics (Jon Haveman, NEED)
- **Week 4 (1/26): Economics of Immigration (Jennifer Alix-Garcia, Oregon St.)**
- Week 5 (2/2): Infrastructure Economics (Mallika Pung, Univ. of New Mexico)
- Week 6 (2/9): The U.S. Safety Net (Marianne Bitler, UC Davis)



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## Submitting Questions

- **Please submit questions in the chat.**

- I will try to handle them as they come up, but may take them in a bunch as time permits.

- **I will catch up on the questions in the chat before starting up again after the break.**

- **We will do a verbal Q&A once the material has been presented.**

- And the questions in the chat have been addressed.



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## Outline

- **What is immigration?**
- **Why do people migrate?**
- **History of immigration to the US**
- **Economics of immigration**



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## What Is Immigration?

- **Immigration**
  - The action of coming to live in another country.
  
- **Emigration**
  - The act of leaving one's own country and going to live in another country.



## Why Do People Migrate?

- **Push factors:**
  - Economic dislocation, violence, population pressures, religious persecution, or denial of political rights.
  
- **Pull factors:**
  - Potential for higher wages, job opportunities, and political or religious liberty.
  
- **Uneven development:**
  - Disparities in income, standards of living, and the availability of jobs within and across societies.



# Why Do People Migrate?

## Levels of Decision-Making

- **Individual level:**
  - Economic opportunity, escape social turmoil.
- **Family level:**
  - Desire of the family to improve its security or level of economic well-being.
  - “Remittances”
- **Structural or Institutional:**
  - War, better information about opportunities, easier transportation, income differentials between countries.
  - Changes in immigration policies.

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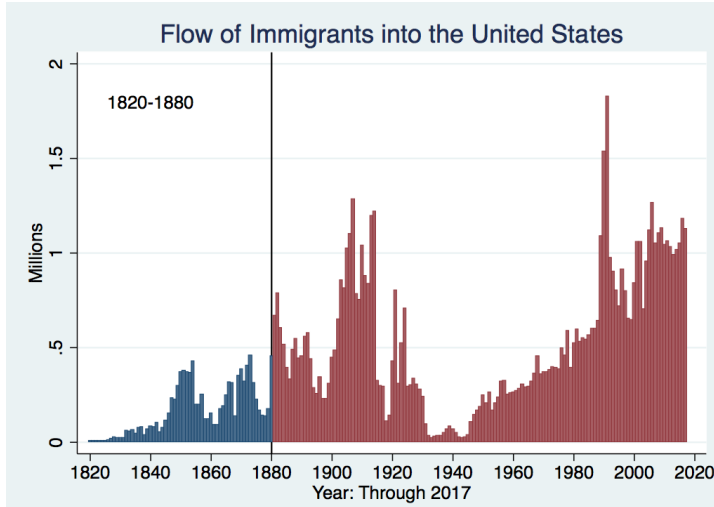
# History of US Immigration

Source Countries	Pre-1790	Source Countries	1790-1820
African countries*	300,000	African countries*	85,000
England	300,000	Scotland-Ireland	50,000
Scotland-Ireland	100,000	England	45,000
Germany	100,000	France	40,000
Scotland	75,000	Germany	25,000

\* Slave trade and clearly not voluntary or reflective of standard motivations for immigration.

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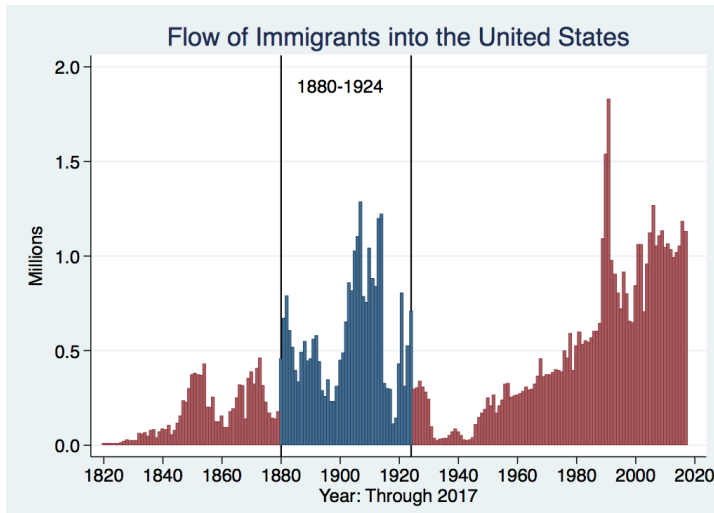
# History of US Immigration



Source Countries	1820-1880
Germany	3,000,000
Ireland	2,800,000
Britain	2,000,000
Austro-Hungarian empire	1,000,000
Canada	750,000
China	230,000
African countries	50,000

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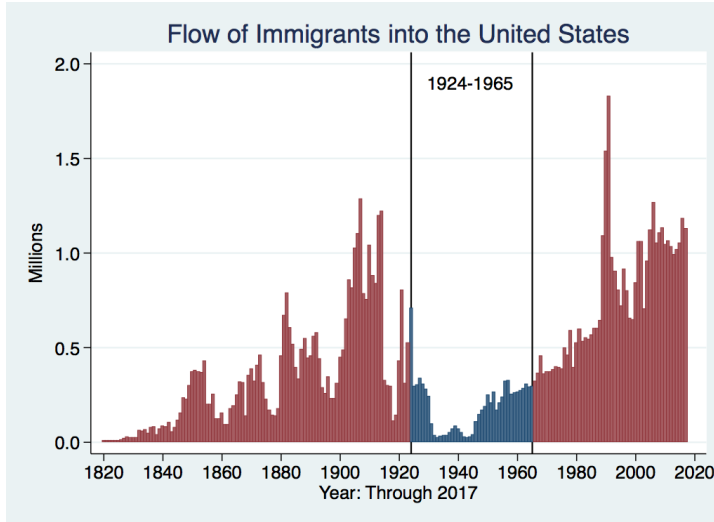
# History of US Immigration



Source Country	1880-1930
Italy	4,600,000
Austro-Hungarian empire	4,000,000
Russian empire	3,300,000
German empire	2,800,000
Britain	2,300,000
Canada	2,300,000
Ireland	1,700,000

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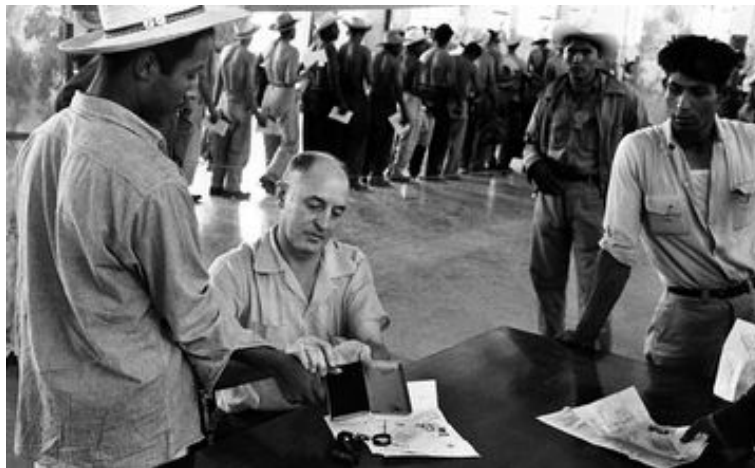
# History of US Immigration



Source Countries	1930-1965
Germany	940,000
Canada	900,000
Mexico	610,000
Britain	480,000
Italy	390,000
Caribbean/ West Indies	310,000

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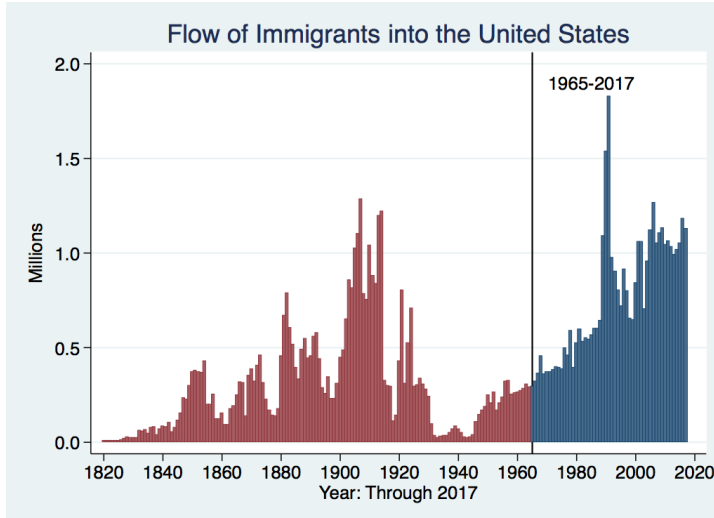
# Signing up for Bracero Program



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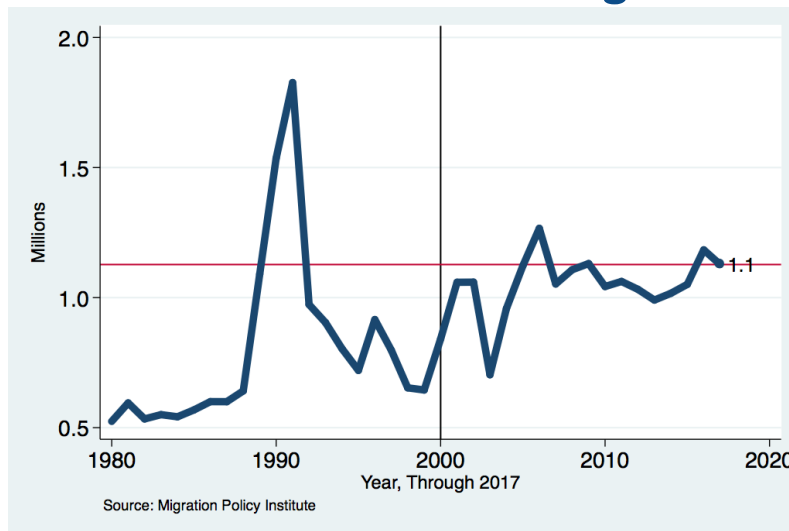
# History of US Immigration: 1965-Today



Source Country	1965-2017
Mexico	4,300,000
Philippines	1,400,000
South Korea	760,000
Dominican Republic	750,000
India	740,000
Cuba	700,000
Vietnam	700,000
Canada	650,000

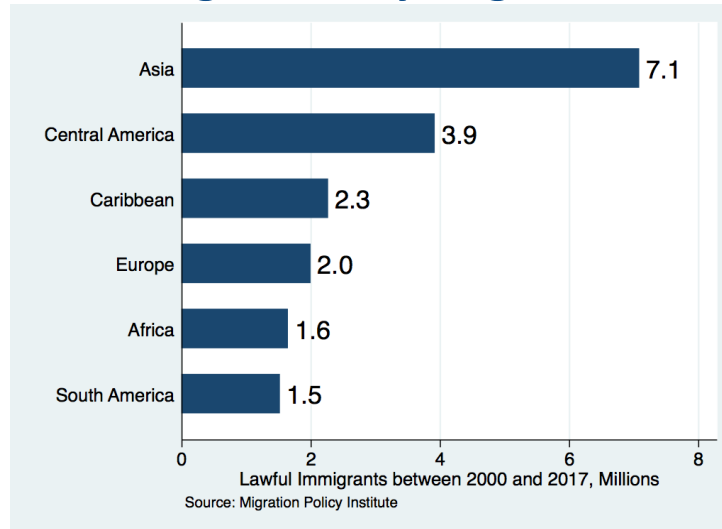
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# Recent Trends in Authorized Immigration

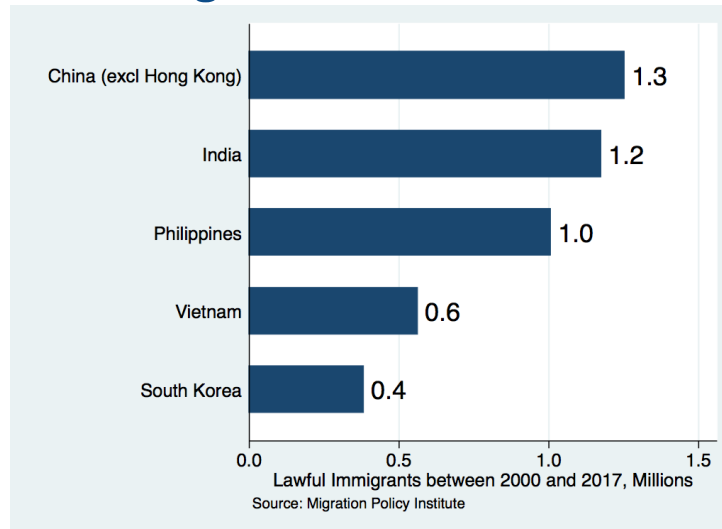


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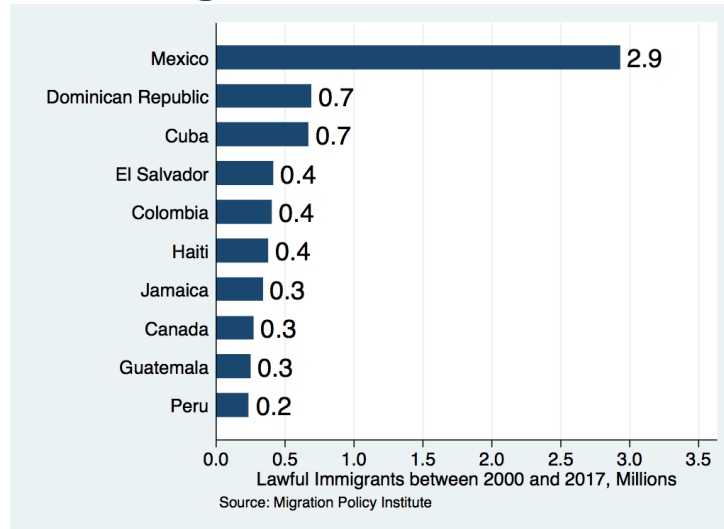
## Authorized Immigration by Region



## Authorized Immigration from Asia



## Authorized Immigration from the Americas

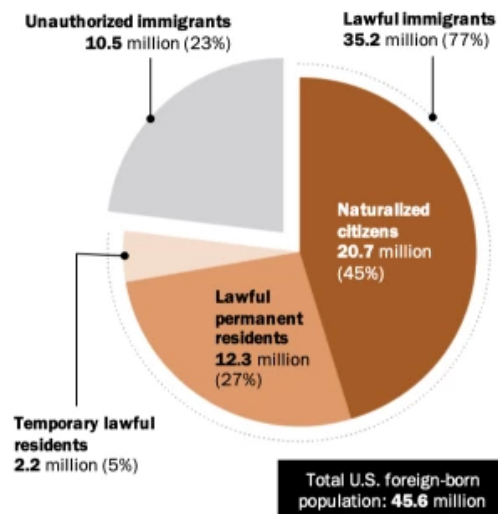


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## Immigrant Population in 2017

Foreign-born population estimates, 2017

Categories of the total number of immigrants in the United States.

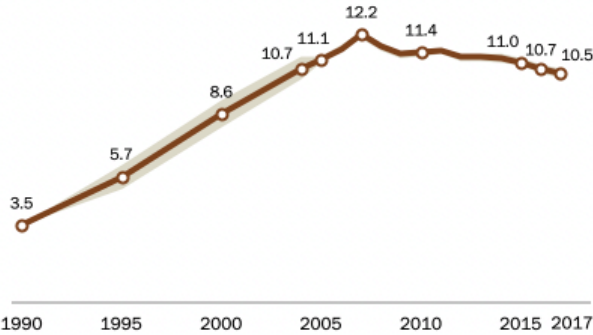


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# U.S. Unauthorized Immigration Totals

## U.S. unauthorized immigrant total rises, then falls

In millions



Note: Shading shows range of estimated 90% confidence interval.  
 Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

PEW RESEARCH CENTER

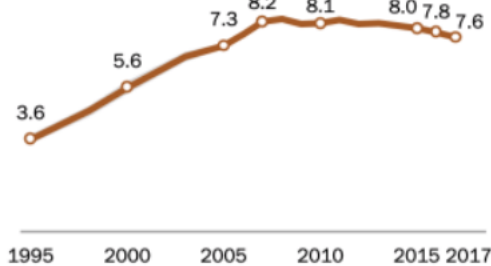


Pew Research Center, 5 facts about illegal immigration in the U.S., June 12, 2019

# U.S. Unauthorized Immigration: Labor Force

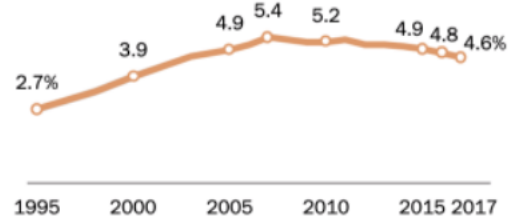
## Number of unauthorized immigrants in U.S. workforce ticks down

In millions

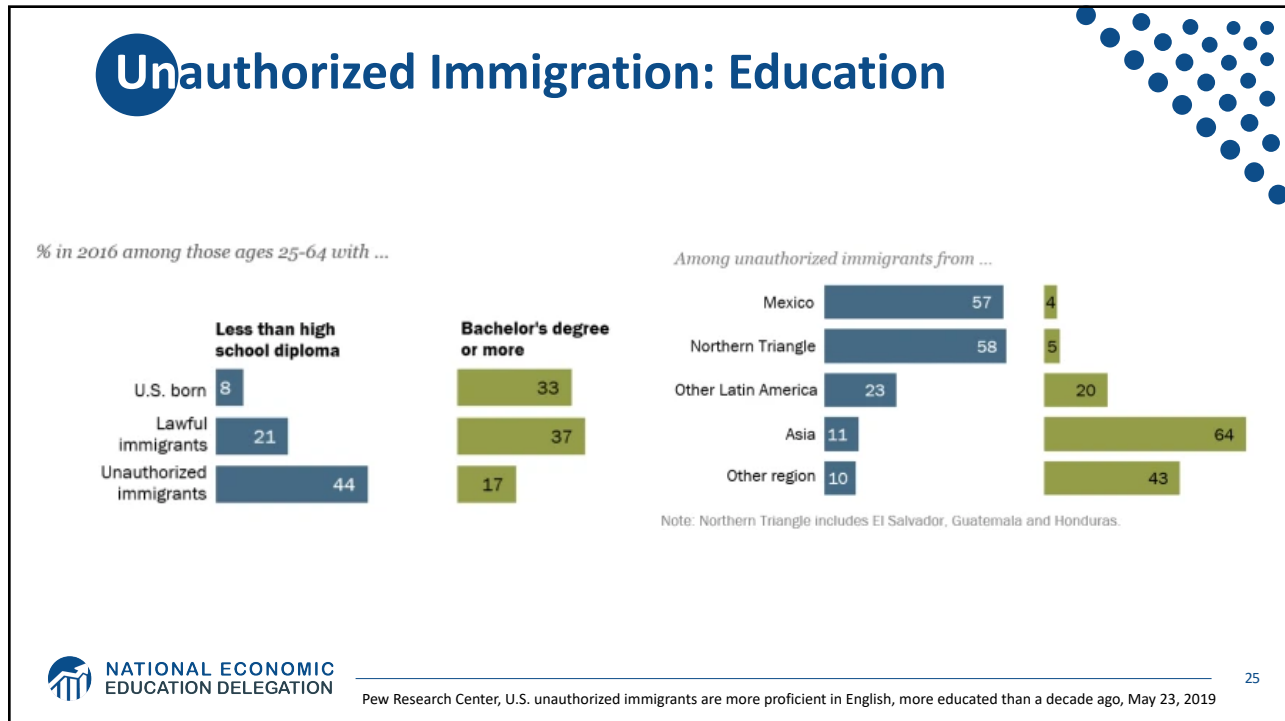


## Unauthorized immigrants decline as a share of the U.S. labor force

%



Pew Research Center, 5 facts about illegal immigration in the U.S., June 12, 2019



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## Unauthorized Population: Source Countries

*In thousands*

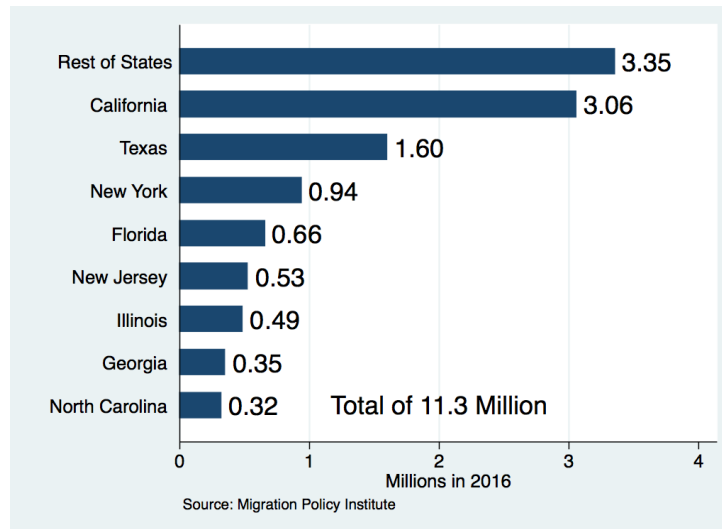
	2017	2007	Change
<b>Latin America</b>			
Mexico	4,950	6,950	-2,000
Central America	1,900	1,500	+400
South America	775	900	-130
Caribbean	475	475	—
<b>Other regions</b>			
Asia	1,450	1,300	+130
Europe, Canada	500	650	-150
Middle East	130	140	—
Africa	250	250	—
<b>U.S. total</b>	<b>10,500</b>	<b>12,200</b>	<b>-1,750</b>

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## Unauthorized Immigration: Where They Live



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## Why Do We Care? Economic Implications

- GDP
- Labor markets
- Government revenue and spending
- Prices
- Exports and FDI

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## Two Sets of Implications

- **Aggregate effects: The size of the pie**
- **Income distribution: The size of slices of the pie**



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## GDP: How Does This Work?

- **What determines the size of an economy?**
  - Technology/productivity
  - Physical capital
  - The number of workers
    - Immigration adds to the number of workers.
- **Number of immigrants in the labor force is high**
  - 28.2 million foreign-born persons ages 16+ in the labor force in 2018.
  - 17.4% of the total US workforce.
- **Evidence**
  - Immigrants added 11% to GDP (\$2 trillion) in 2016.



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# Immigration and Labor Markets



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## Labor Market Implications: Complicated

- **Depends on the type of immigrant: Skills/education**

- Similar to native-born population?
- Low-skilled?
- Highly skilled?

- **Brings capital market implications**

- Low-skilled – capital supplementing
- Highly skilled – capital complementing



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Source: Hong & McLaren (2015).

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## Immigration Is Similar to Trade

- **Trade**
  - Allows production to be brought to where the low-wage workers are.
- **Immigration**
  - Allows workers to move to where high-wage jobs are.
- **Both:**
  - Equalize wages geographically
  - Lower prices
  - Increase overall economic activity



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## Labor Market Implications

- **Provides net benefits to the receiving economy**
  - Larger labor supply.
  - Changes in labor prices increase production of goods and services that use the type of labor offered by immigrants.
- **Short run: there are winners and losers**
  - Changes in wage structure and returns to capital affect native-born workers differently.
- **Long run: could be no winners, but also no losers**
  - The economy might adjust to pre-immigration wage structure and returns to capital. No change for native-born individuals.



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## Labor Market Implications: Basic Case

- **Suppose the immigrants have the same skills as the native-born population in a city**
  - Short run: *workers lose and owners of capital win*
    - Higher ratio of labor to capital.
      - Wages decline, and returns to capital rise.
  - Long run: *there are no losers or winners*
    - Capital flows into the city
      - Because the returns are now higher here than elsewhere
    - The original ratio of labor to capital is restored.



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## Labor Market Implications: Low-Skill Immigrants

- **Suppose the immigrants are less skilled than the native-born population in a city**
  - Short run: *low-skilled workers are losers*
    - Supply of low-skilled workers goes up, so their wages go down.
  - Long run: there need not be any losers, but there may still be
    - Prices adjust
      - Purchasing power of low-skilled workers need not be lower.
    - **Subtlety:** Opportunities for low-skilled native-born workers expand as the economy expands.
      - Greater demand for English-proficient workers.
- **Note: Repeated short run shocks can make the medium and long run look like the short run.**



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## Labor Market Implications: General Principles

- **Short run**

- Harm likely to native-born workers who are similar to immigrants.
- Benefit likely for other workers and owners of capital.

- **Long run**

- **Lower prices** will restore some of the purchasing power of those harmed.
- **Expanded opportunities** may restore wages of harmed native-born workers.
- Inflows of other types of labor and capital may **return the economy to its pre-immigration wage structure and production patterns.**



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## Summary of Labor Market Effects

- **Immigration CAN lead to negative wage effects for competing native-born workers**

- Particularly high school dropouts and those in vulnerable communities.

- **Other workers will likely benefit**

- Through increased wages.
- Through increased opportunity.

- **Owners of capital will benefit**

- Existing capital will earn greater returns.
- More if immigrant labor complements existing capital.



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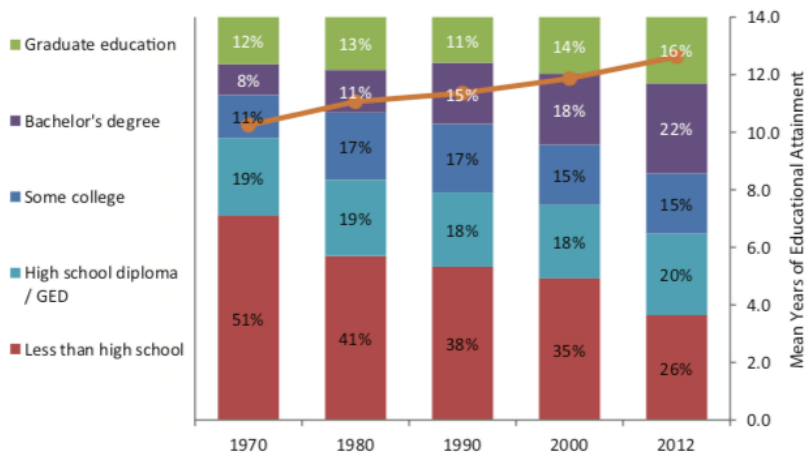
## Potential Benefits for Low-Skilled Native Workers

- **Immigration can increase native-born worker wages:**

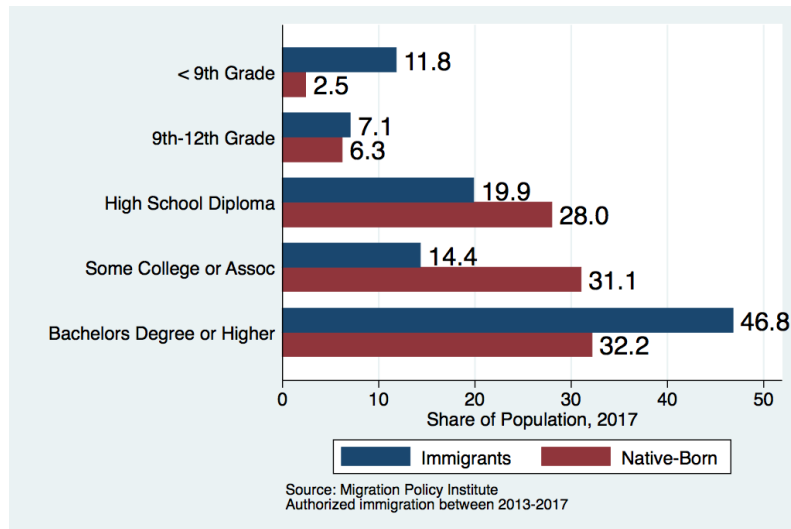
- More demand for jobs where English is necessary
- Increased demand for goods and services – increases wages in those industries.
- Each immigrant creates 1.2 local jobs – mostly for native-born workers.

## Pattern of Immigration

Educational Attainment of Recent Immigrants – Last 5 Years



## Recent Immigrants Are Less and More Educated

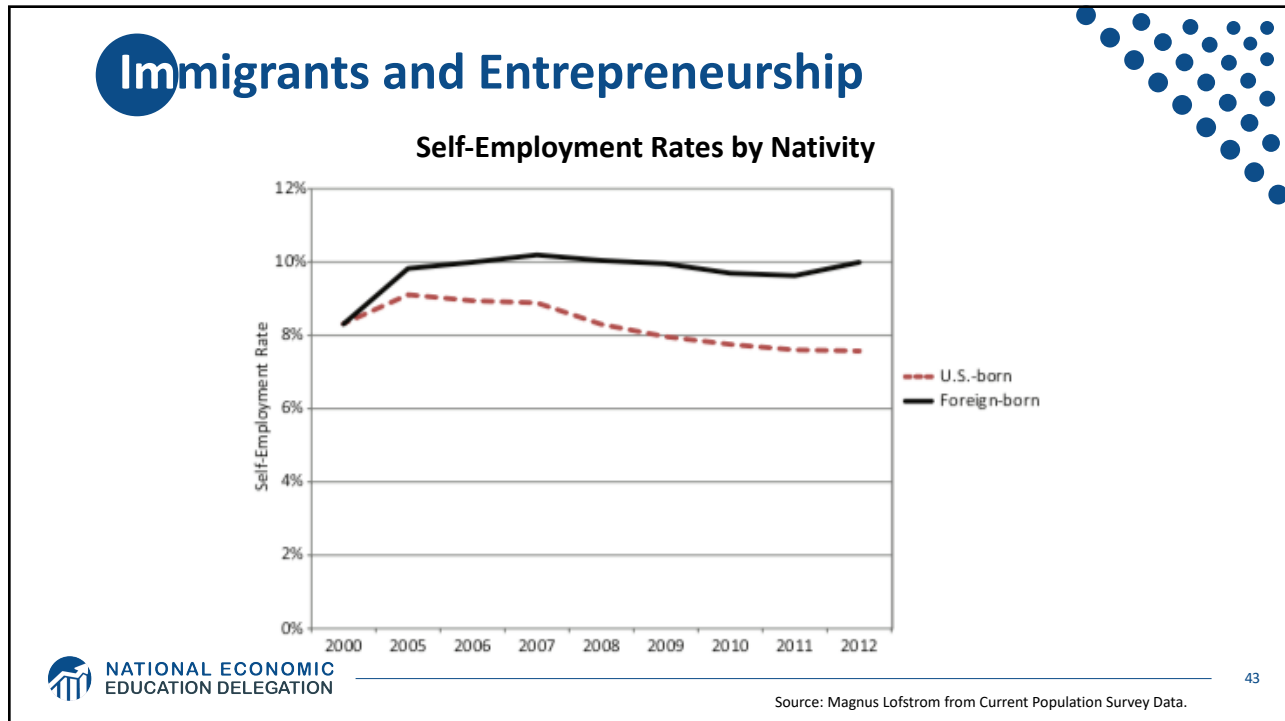


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## Skilled Immigrants and Innovation

- **1% increase in the share of the immigrant college graduate population**
  - 9-18% increase in patenting per capita
  - Increased immigration increases patenting by native-born population
  - Nonetheless, the effect is positive
- **In the 1990s**
  - Increased skilled immigration can account for one-third of increased patenting in that decade.
  - This translates into a 1.4-2.5% increase in GDP per capita by the end of the decade.

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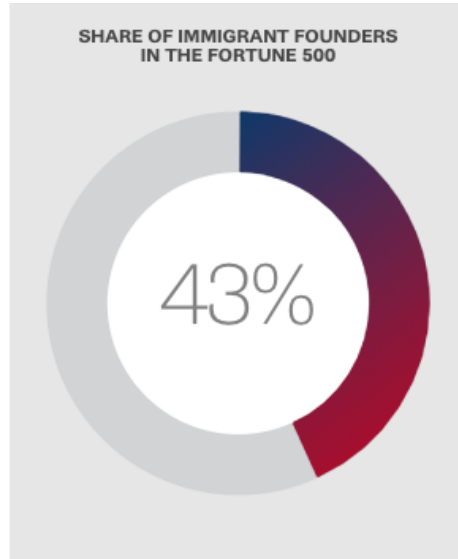


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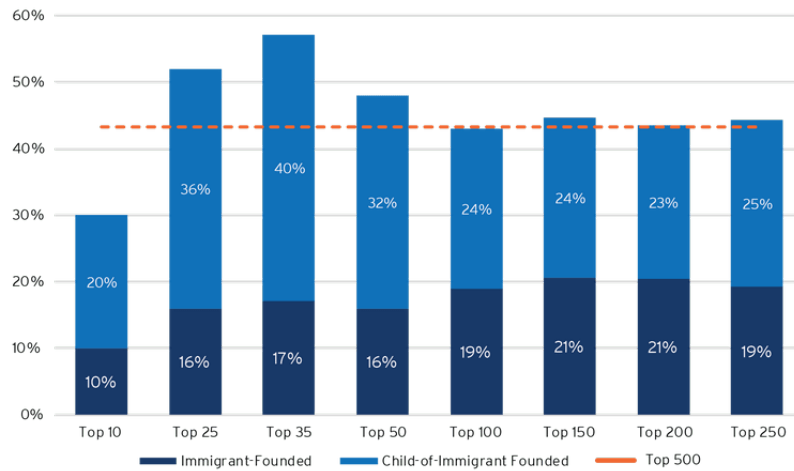
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# Fortune 500: First- and Second-Generation Founders



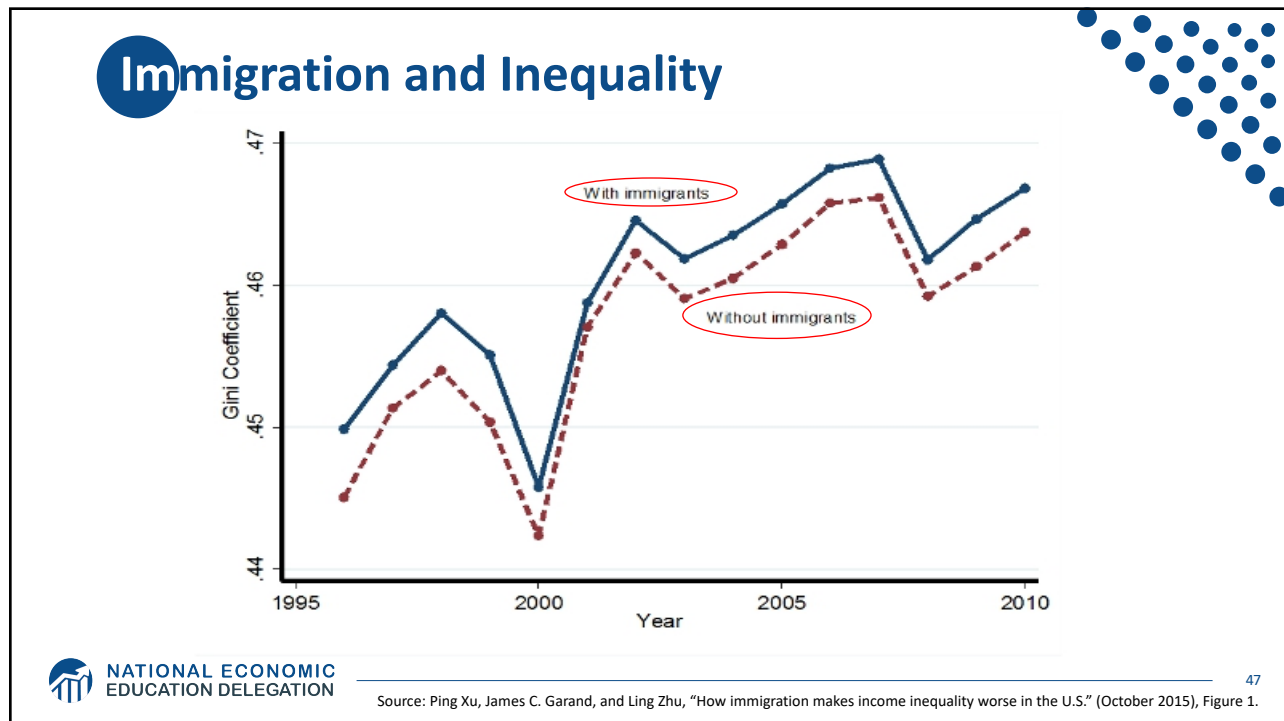
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Share of fortune 500 companies founded by immigrants or the children of immigrants, by ranking group 2017



Source: Center for American Entrepreneurship Fortune Magazine data

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## Immigration and Inequality: Summary

- **Beginning in about 1970, the immigrant share of the US population increased dramatically.**
  - 5% in 1970 and 14% in 2016
- **Compared to the native born, immigrants:**
  - Comprise a larger share of less-educated workers (less than HS diploma)
  - Comprise a larger share of highly educated workers (advanced degree)
- **Immigration has likely increased income inequality.**
- **Its effect has likely been small.**
  - ~5% between 1980 and 2000
  - No reason to think it has been bigger since then

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## Immigration and Prices

- **How do immigrants lower prices?**
  - **Demand side**
    - A higher proportion of immigrants tends to make markets more price sensitive.
    - Accordingly, stores are reluctant to raise prices.
  - **Supply side**
    - By providing labor services at lower cost.
    - Input prices are lowered, so final goods prices are also likely to be lower.
    - Primarily in nontraded sectors
      - Household services, construction, hospitality, agriculture.



## Prices: Distributional Consequences

- **A 10% increase in the share of low-skilled immigrants in a city:**
  - Lowers prices of immigrant-intensive sectors by 2%.
    - E.g., housekeeping, gardening, babysitting, dry cleaning
- **Immigration between 1980 and 2000 immigration affected the cost of living:**
  - -0.32% for highly skilled workers
- **... but not for everybody:**
  - +1% for native high school dropouts
  - +4.2% for low-skilled native-born Hispanics
- **Conclusion:**
  - Positive net benefits for the country as a whole.
  - But not all benefit.



## Prices and Economic Expansion

- **Economic Expansion**

- Increases the labor supply.
  - Lowers the prices of immigration-intensive products.
- Frees up highly skilled labor to provide more market services.
  - Primarily through provision of household services.
  - Evidence of an expansion of labor provided by highly skilled women.
    - Particularly where long hours are required: law, medicine, and women with PhDs



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## Government Revenues and Expenditures



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## Why Is This Important?

- **Important factor for understanding whether immigrants will be net contributors to the economy.**
- **Two additional reasons:**
  - Taxpayer inequity geographically
  - Necessary to understand the full consequences of admitting additional immigrants into the country



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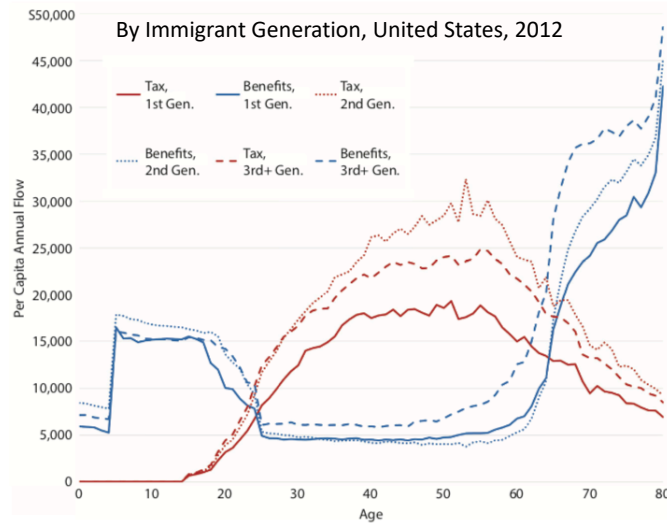
## Topics?

- **Basic Question:**
  - Taxes (income, sales, and other) immigrants pay vs. government expenditures on public benefits and services they receive.
- **More complicated:**
  - Immigrants also affect the fiscal equation for many native-born residents.
    - Indirectly through labor and capital markets.
    - Changes in wages and the return to capital.



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## Age-Specific Taxes and Benefits



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## What Do We Know?

- **Immigrants who arrive while of working age:**
  - Are, on average, net contributors.
  - 21-year-old with a high school diploma: +\$126,000 over a lifetime
    - o Though this value gradually declines with age at arrival.
    - o Turns negative for arrivals of age 35+
- **Net contribution crucially depends on characteristics**
  - Age distribution, family composition, health status, fertility patterns
  - Temporary or permanent relocation
  - Employment in the legal labor market
  - Authorized or unauthorized

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## Bottom Line/Consensus of Estimates

- **Federal level: fiscal impact is generally positive.**
- **State and local level: typically negative fiscal impact.**

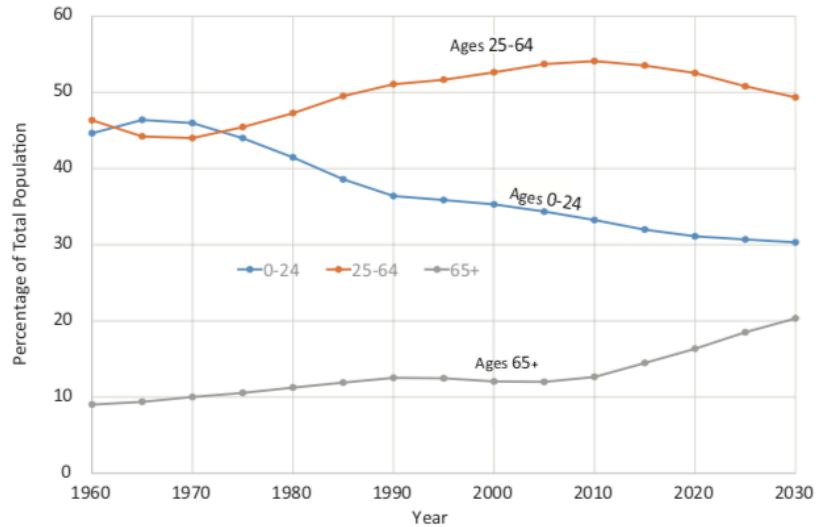
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## Implications for Major Federal Programs

- **Documented immigrants are less likely to use Social Security and Medicare.**
- **Unauthorized immigrants are ineligible.**
  - They will pay into the system but cannot receive benefits.
- **Medicaid: not available to legal residents for the first five years.**
- **Provide a source of revenue for an aging population.**

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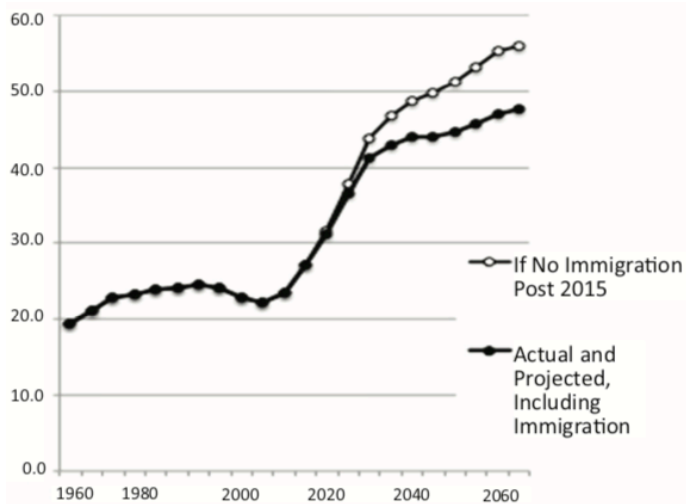
# The Aging US Population



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# Implications for Social Security

Population Age 65+ per 100 of Working Age (25-64)



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# Other Implications of Immigration



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## Exports and FDI

- **Flows of goods, services, and investments internationally rely heavily:**
  - Information
  - Contacts abroad
- **Immigrants bring both information and networks.**
- **A variety of studies show that increased immigration from a particular country leads to**
  - Increased exports to that country.
  - Increased flows of investment to that country.
- **Migrant networks do indeed complement both trade and FDI.**



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## Non-Economic Implications

### Patterns of Integration

- Education
- Employment and Earnings
- Occupations
- Poverty
- Residential Integration
- Language
- Health
- Family Patterns

### The Big Misconception: Crime



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Source: *The Integration of Immigrants into American Society* (2015).

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## Immigrants and Crime Rates

- **Conventional wisdom:**
  - Immigrants commit crimes more frequently than do native-born residents.
  - Rising immigration leads to rising crime.

### Let's Have a Look!



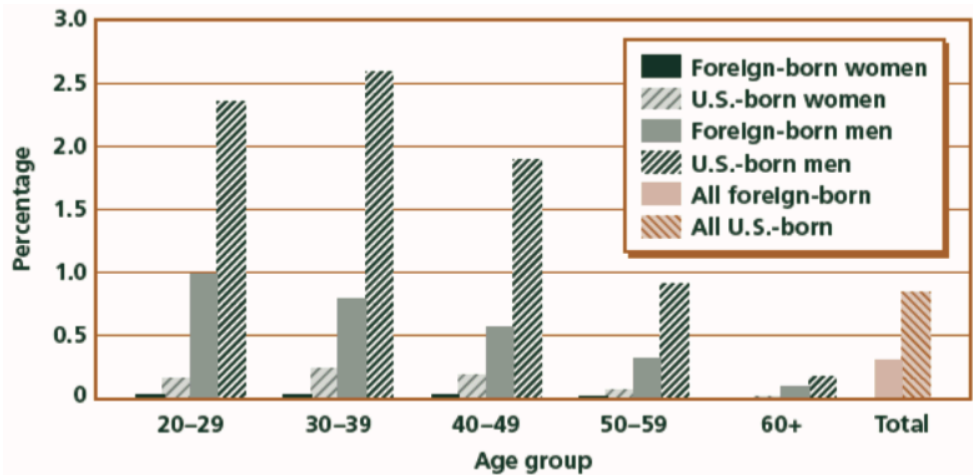
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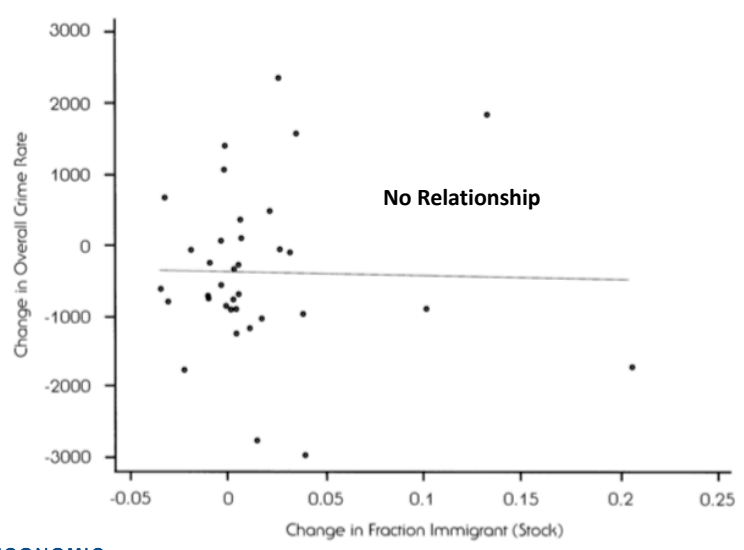


## Crime: Incarceration Rates in California



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## MSAs: Growing Immigration and Crime



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## Immigrants and Crime Rates

- **Conventional wisdom:**

- Immigrants commit crimes more frequently than do native born residents.
- Rising immigration leads to rising crime.

- **What do the data say?**

- Rates of incarceration are lower for the foreign born than US born.
- Neighborhoods with more immigrants have lower crime rates.
- There is no evidence that deporting noncitizen immigrants affects crime rates.



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## Summary

- **Immigration should be thought of as increasing the population of the United States.**
- **This brings economic growth and opportunity, just as does increasing the native-born population.**
- **Including unauthorized immigrants, the supply of low-skilled workers is increased**
  - This lowers the wages of low-skilled workers.
  - But also increases labor force participation among highly skilled workers.



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## At the Same Time....

- **Immigrants are often a select group:**
  - Willing to incur an enormous personal or familial cost to better their lives.
- **As a result:**
  - Immigrants tend to commit crimes at low rates.
  - Immigrants tend to be entrepreneurial and to add significantly to economic growth.
- **Although there are distributional issues:**
  - Immigration is an important contributor to economic growth.
  - Immigration helps to sustain vital government programs.



## About Conventional Wisdom

- **Native-born unskilled workers**
  - There is some negative impact on their wages.
  - But who wins and loses depend on the skill mix of immigrants;
    - o when this skill mix changes, so do its effects.
- **Crime**
  - Immigrants, both authorized and unauthorized, commit crimes at much lower rates than do native-born residents.
- **Government programs**
  - Federal: immigrants are a source of revenue and stability for some important programs.
  - State and local: because education is funded at the local level, this can be a drain on local government coffers.




# Infrastructure – See you next week!

## 2021 Infrastructure Grades

AVIATION	↑ D+	PORTS	↑ B-
BRIDGES	↓ C	RAIL	B
DAMS	D	ROADS	D
DRINKING WATER	↑ C-	SCHOOLS	D+
ENERGY	↑ C-	SOLID WASTE	C+
LEVEES	D	WASTEWATER	D+
PARKS AND RECREATION	D+		

America's Cumulative Infrastructure Grade



EXCEPTIONAL
DOD
EDIOCRE
D POOR
F FAILING

With  
Mallika Pung, University of New Mexico

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# Thank you!

## Any Questions?

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## Available NEED Topics Include:

- US Economy
- Economic Inequality
- Climate Change
- US Social Policy
- Trade and Globalization
- Economic Mobility
- Trade Wars
- Housing Policy
- Federal Budgets
- Federal Debt
- 2017 Tax Law
- Autonomous Vehicles

