

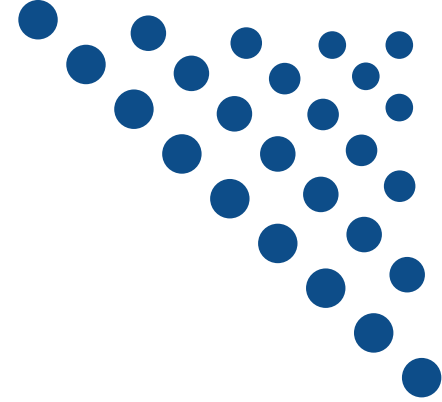
The Economics of Immigration

OLLI -- University of Southern Maine
January, 2022

Jennifer Alix-Garcia, PhD



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**

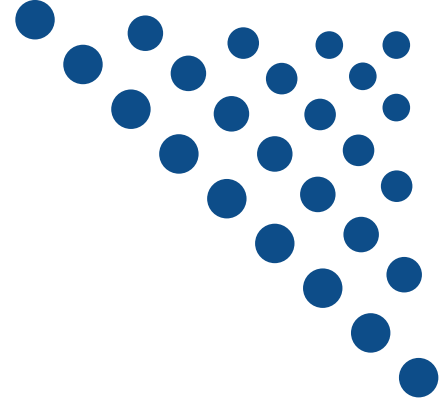
- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

- **NEED Presentations**

- Are **nonpartisan** and intended to reflect the consensus of the economics profession.



Course Outline

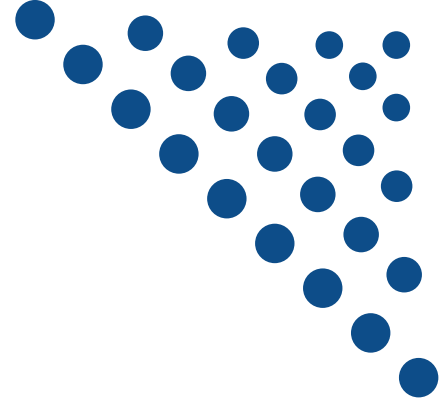


- **Contemporary Economic Policy**

- Week 1 (1/11): US Economy & Coronavirus Economics
- Week 2 (1/18): Federal Debt (Ryan Herzog, Gonzaga University)
- **Week 3 (1/25): Economics of Immigration (Jennifer Alix-Garcia, Oregon St.)**
- Week 4 (2/1): Health Economics (Jon Haveman)
- Week 5 (2/8): Minimum Wage (Jon Haveman)
- Week 6 (2/15): Cryptocurrencies (Geoffrey Woglom, Amherst College)



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.



Who Are We?

- **Honorary Board: 52 members**

- 2 Fed chairs: Janet Yellen, Ben Bernanke
- 6 chairs of the Council of Economic Advisers
 - Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel prize winners
 - Akerlof, Smith, Maskin

- **Delegates: 520+ members**

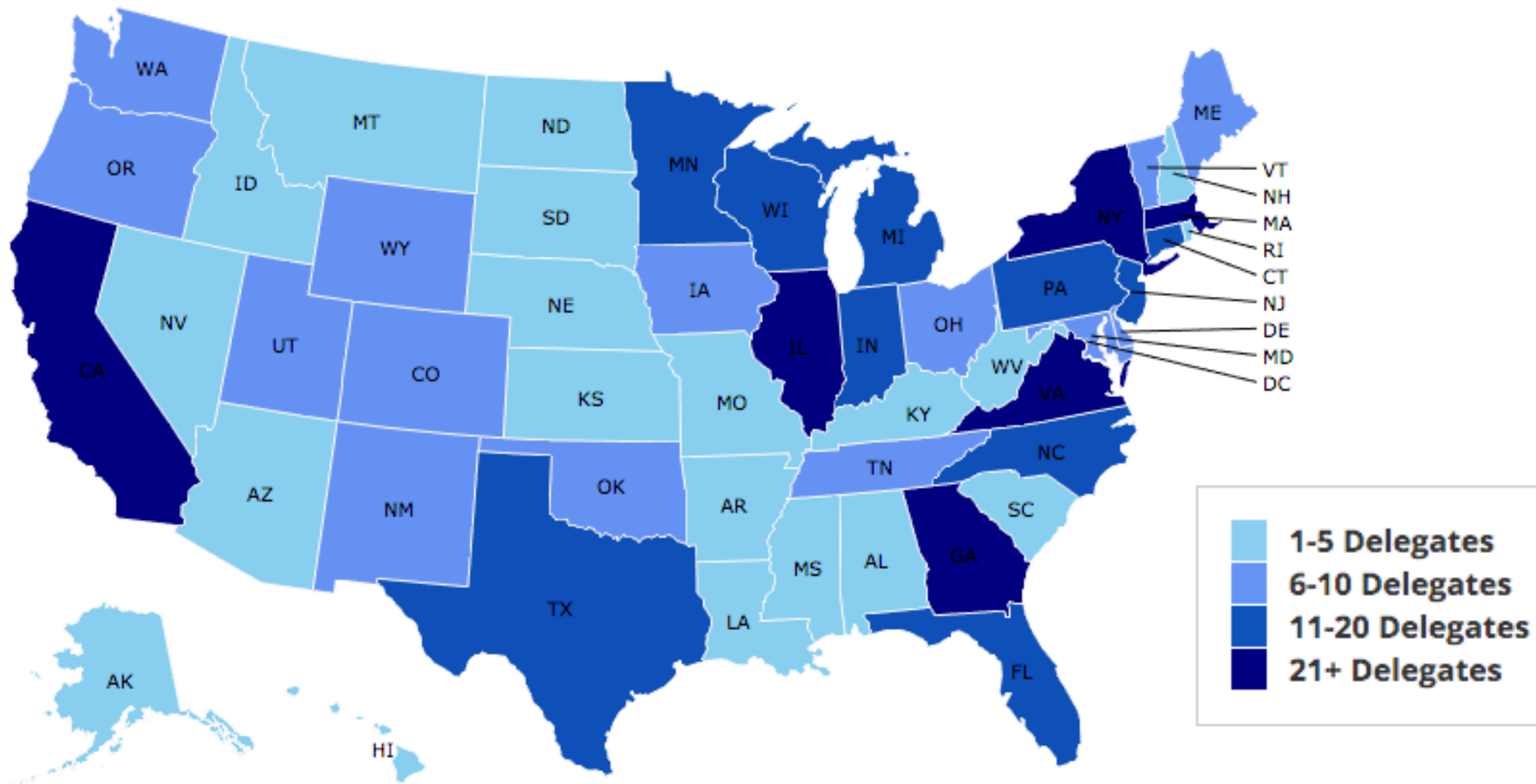
- At all levels of academia and some in government service
- All have a PhD in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 45 PhD Economists**

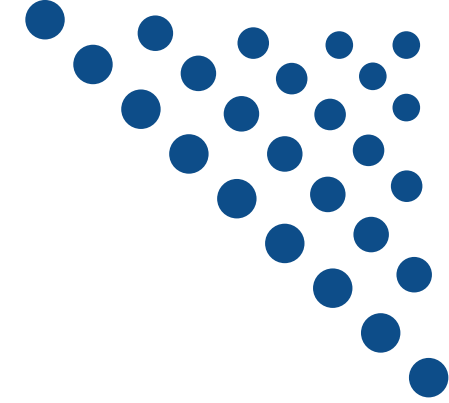
- Aid in slide deck development



Where Are We?



Credits and Disclaimer



- **This slide deck was authored by:**

- Anna Maria Mayda, Georgetown University
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- **This slide deck was reviewed by:**

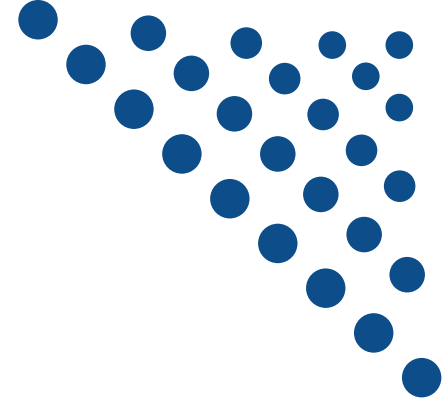
- Kirk Doran, Notre Dame
- Ethan Lewis, Dartmouth College

- **Disclaimer**

- NEED presentations are designed to be nonpartisan.
- It is, however, inevitable that presenters will be asked for and will provide their own views.
- Such views are those of the presenter and not necessarily those of the National Economic Education Delegation (NEED).



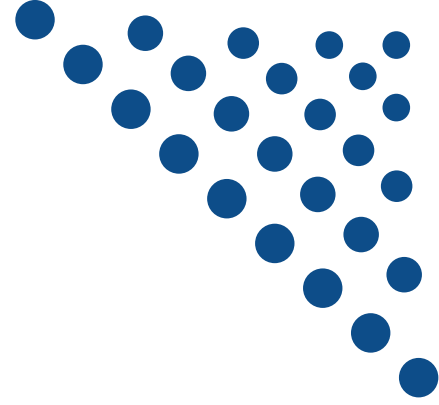
Outline



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



What Is Immigration?



- **Immigration**

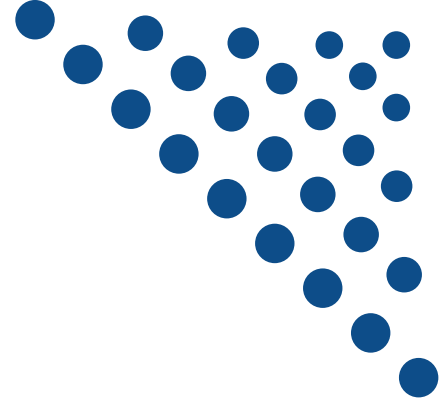
- The action of coming to live in another country.

- **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:**

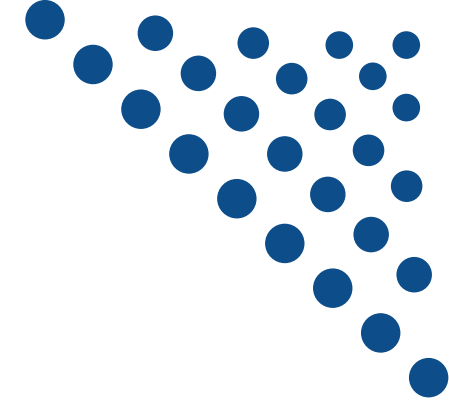
- Potential for higher wages, job opportunities, and political or religious liberty.

- **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.



History of US Immigration

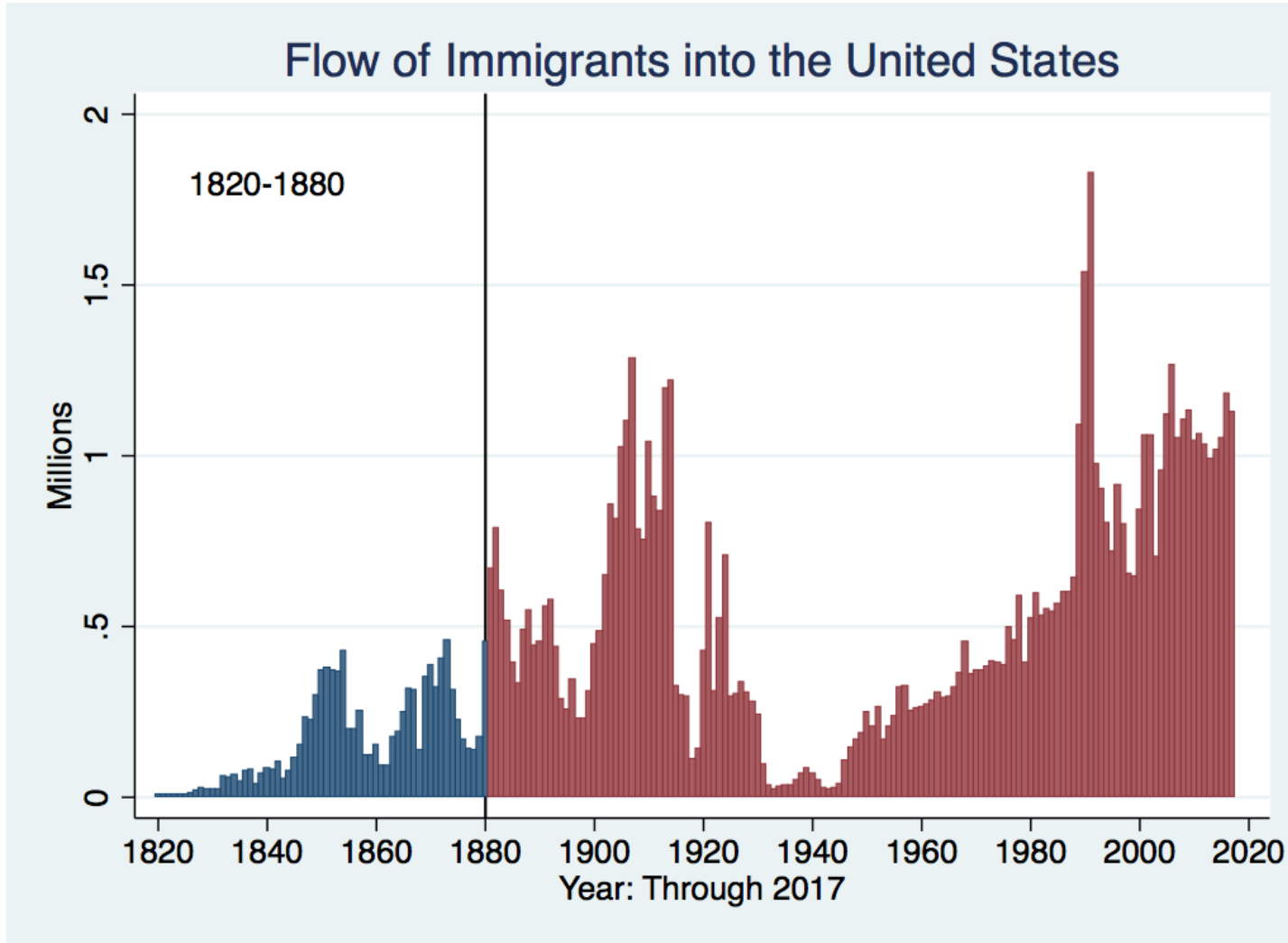
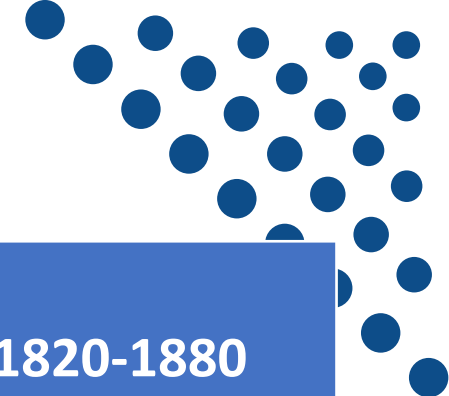


Source Countries	Pre-1790
African countries*	300,000
England	300,000
Scotland-Ireland	100,000
Germany	100,000
Scotland	75,000

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

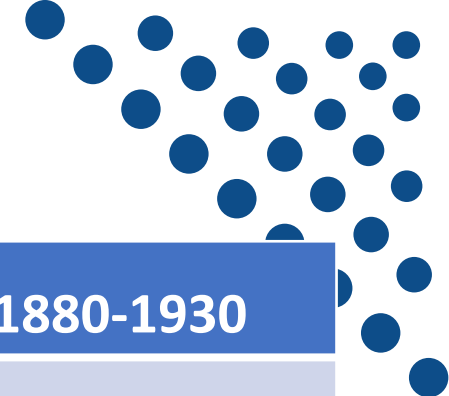
* Slave trade and clearly not voluntary or reflective of standard motivations for immigration.

History of US Immigration

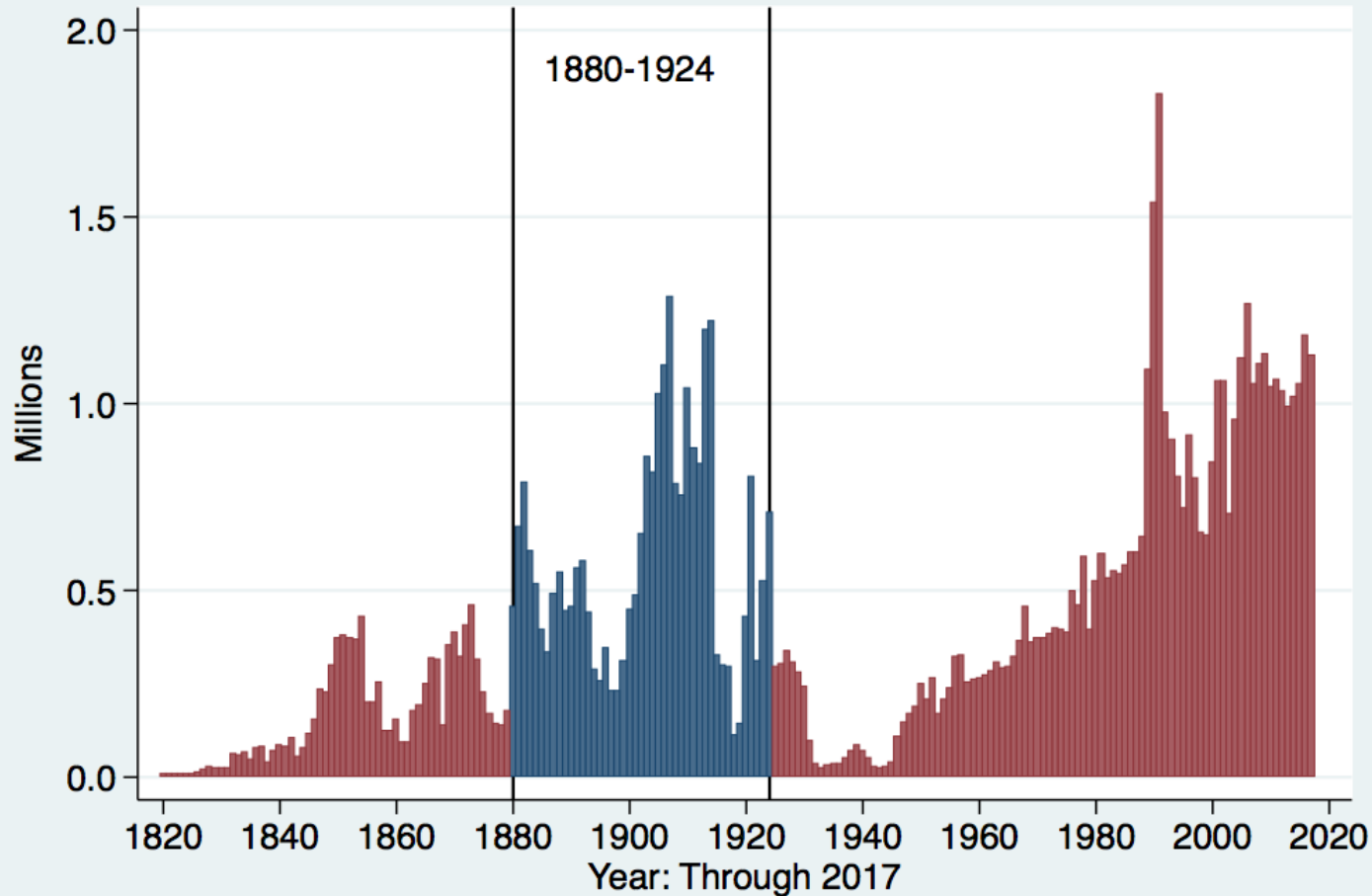


Source Countries	1820-1880
Germany	3,000,000
Ireland	2,800,000
Britain	2,000,000
Austro-Hungarian empire	1,000,000
Canada	750,000
China	230,000
African countries	50,000

History of US Immigration



Flow of Immigrants into the United States



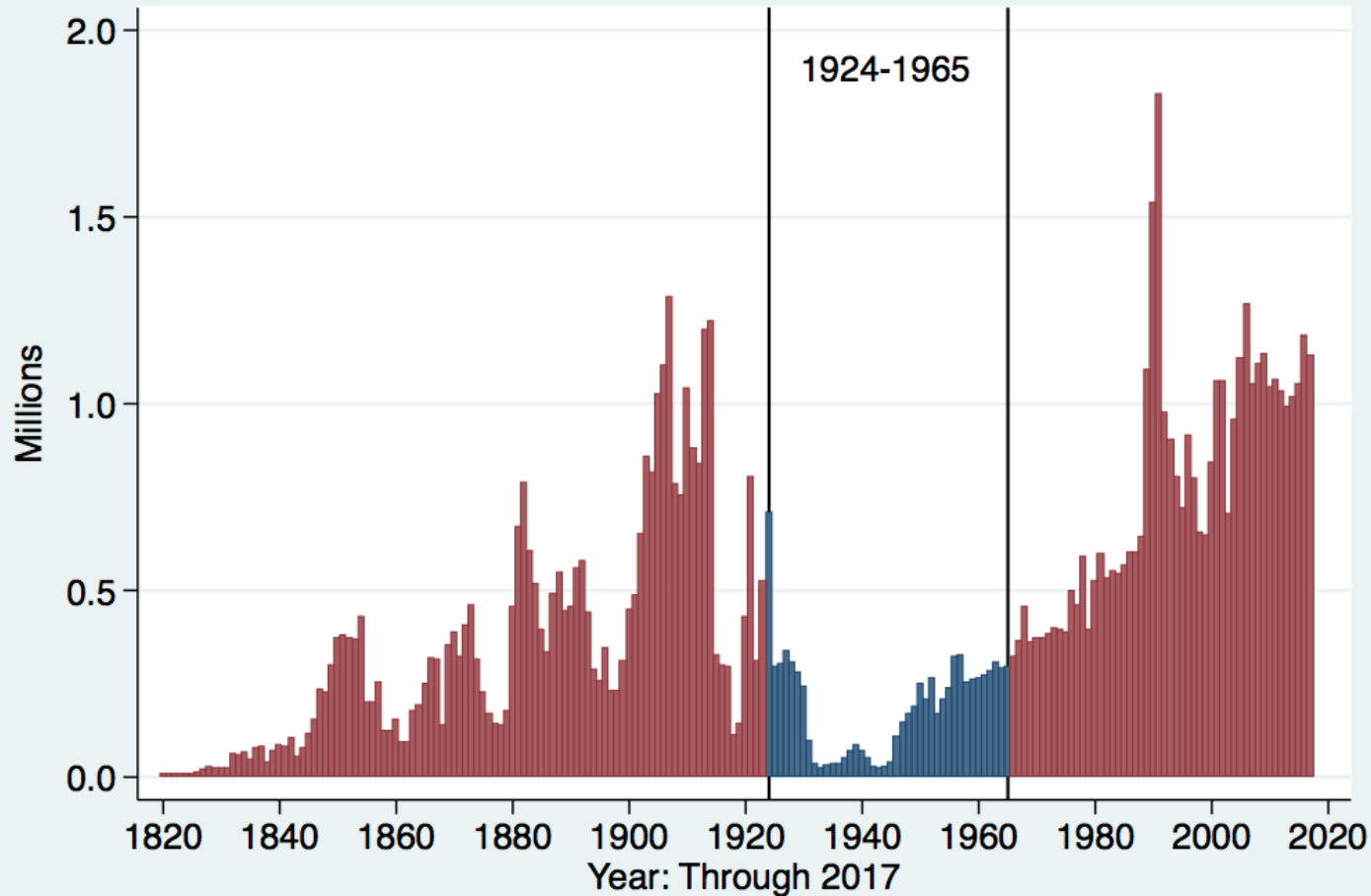
Source Country	1880-1930
Italy	4,600,000
Austro-Hungarian empire	4,000,000
Russian empire	3,300,000
German empire	2,800,000
Britain	2,300,000
Canada	2,300,000
Ireland	1,700,000



History of US Immigration



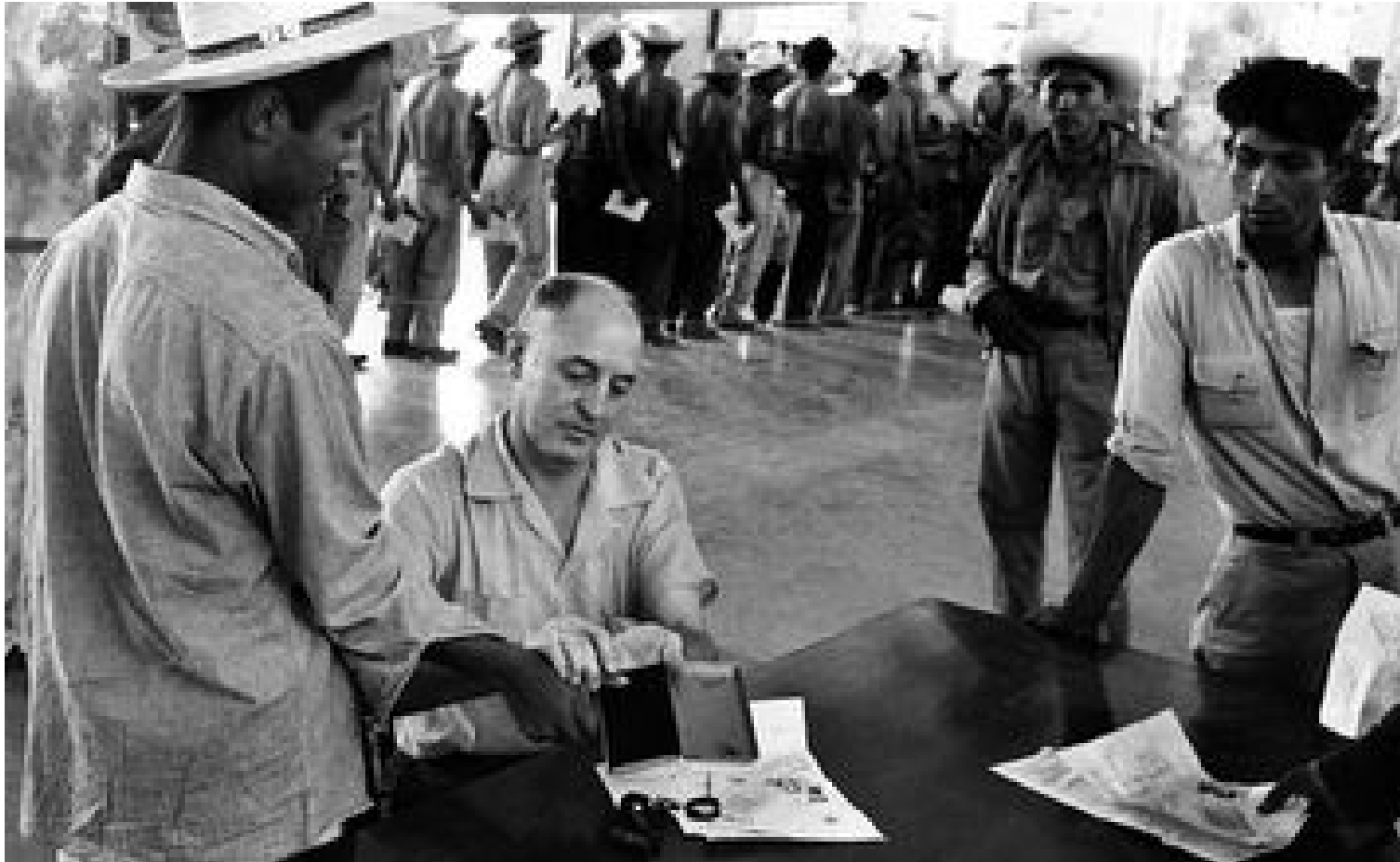
Flow of Immigrants into the United States



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



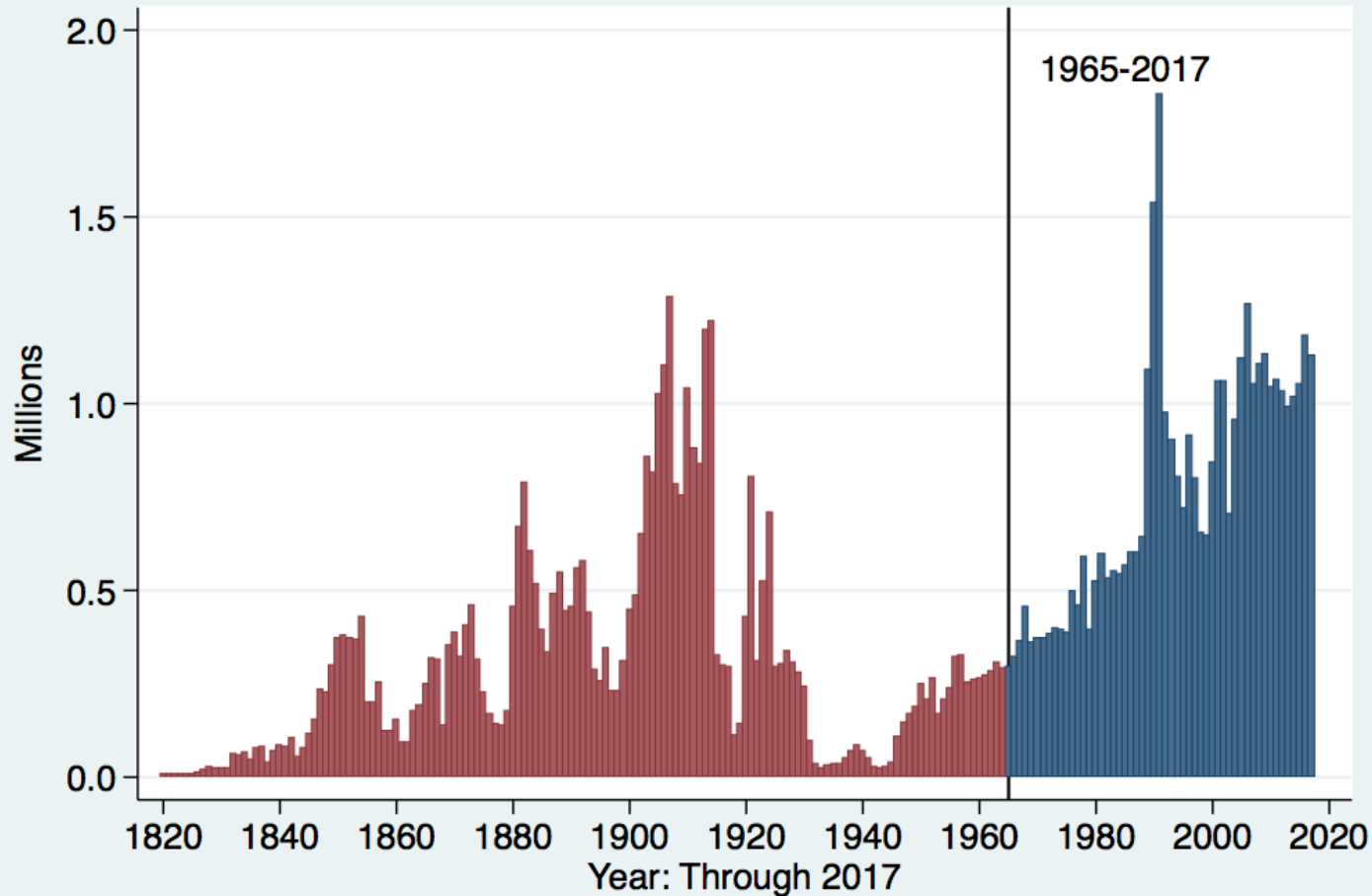
Signing up for Bracero Program



History of US Immigration: 1965-Today

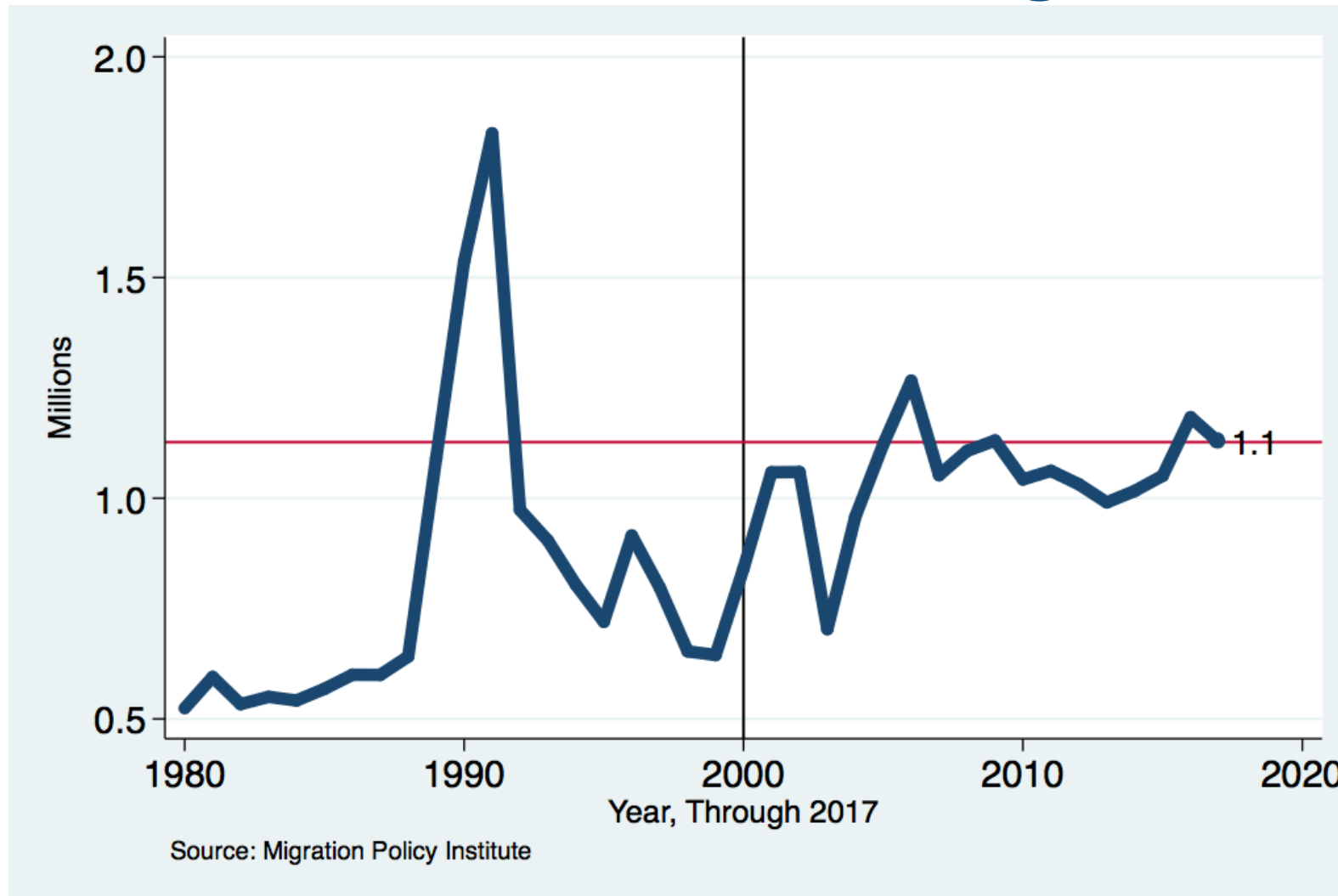
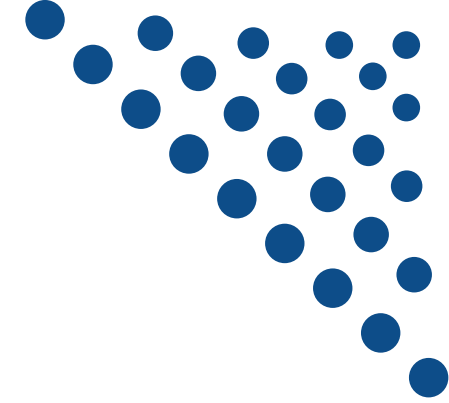


Flow of Immigrants into the United States

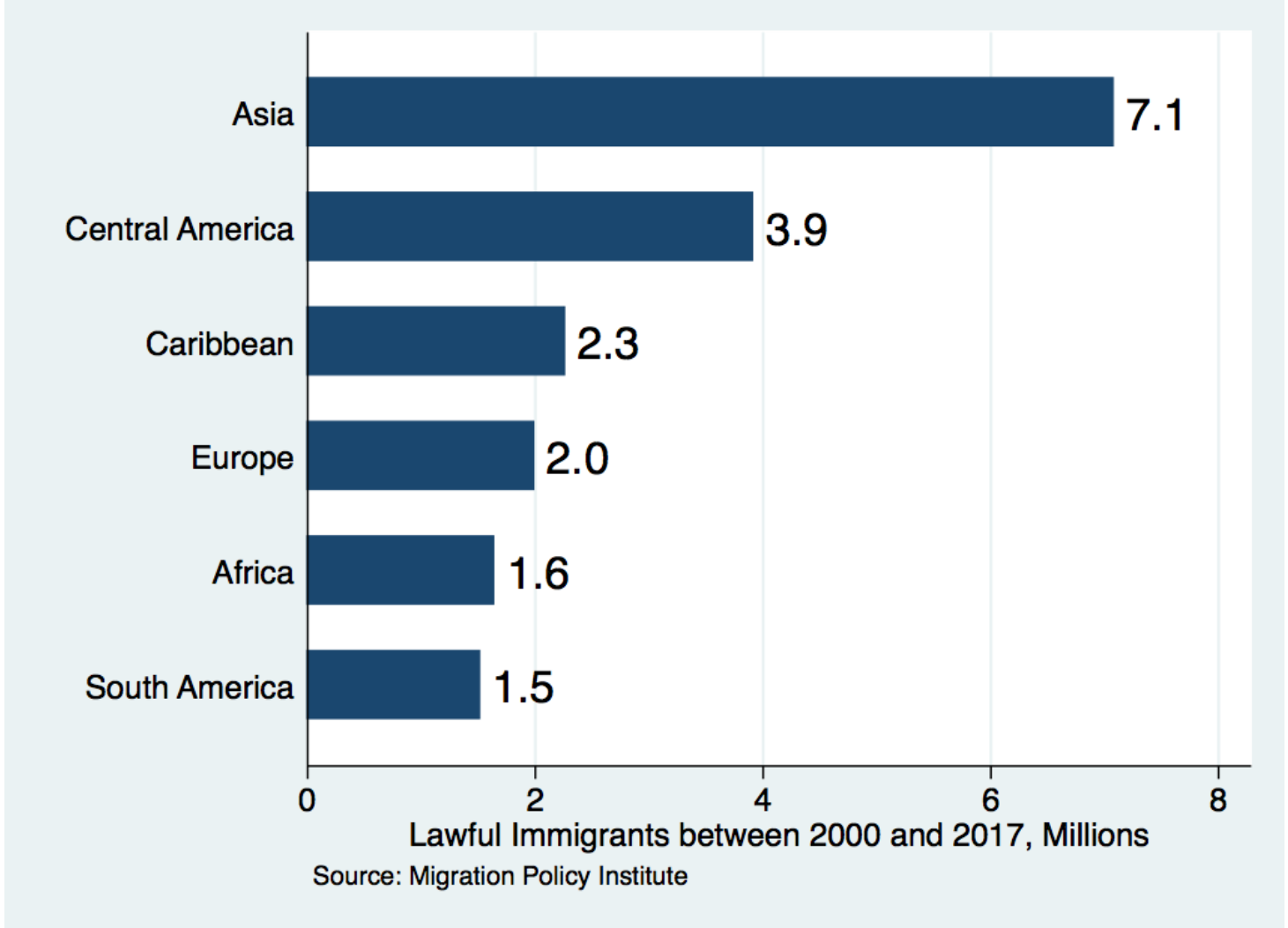


Source Country	1965-2017
Mexico	4,300,000
Philippines	1,400,000
South Korea	760,000
Dominican Republic	750,000
India	740,000
Cuba	700,000
Vietnam	700,000
Canada	650,000

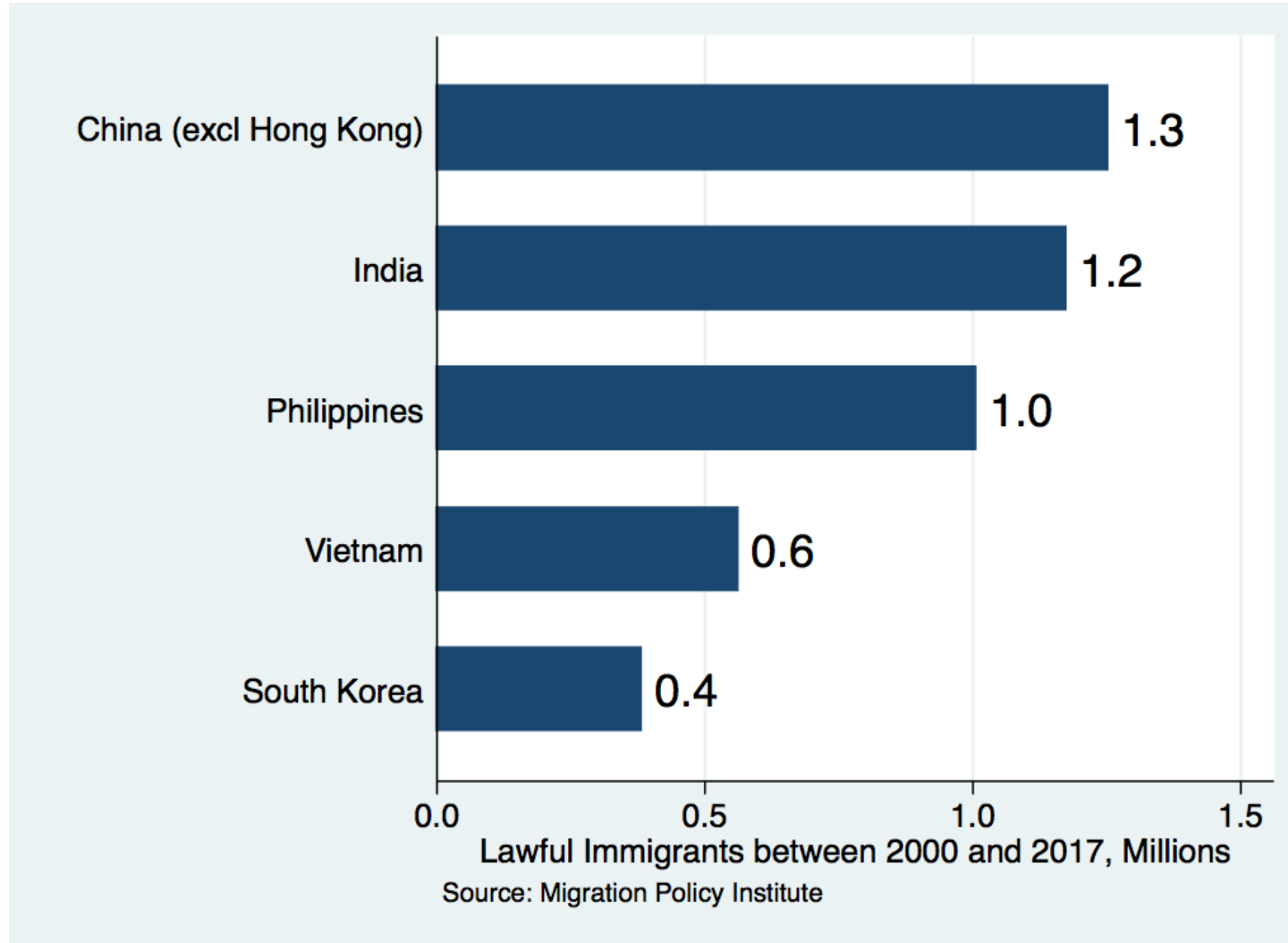
Recent Trends in Authorized Immigration



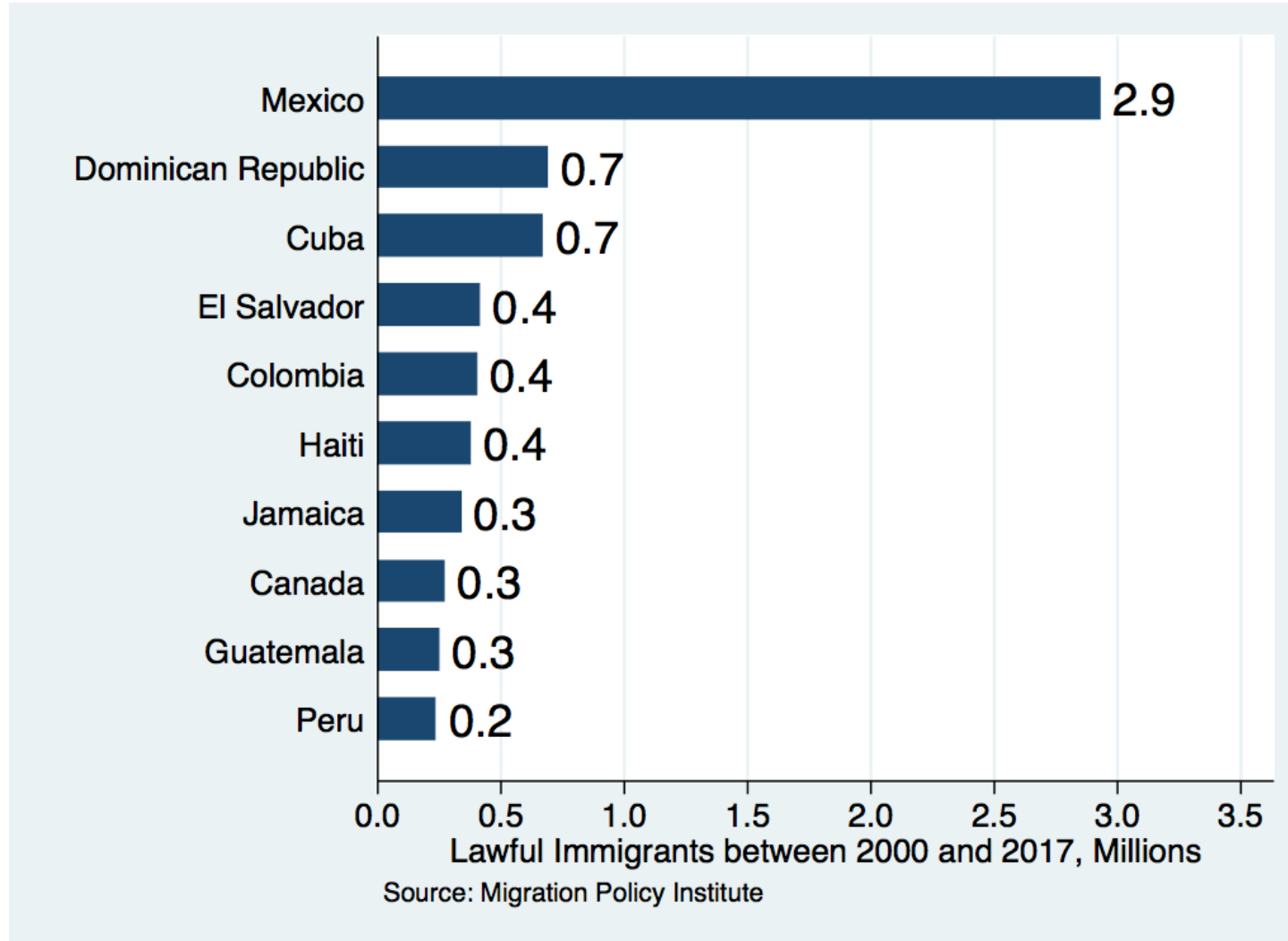
Authorized Immigration by Region



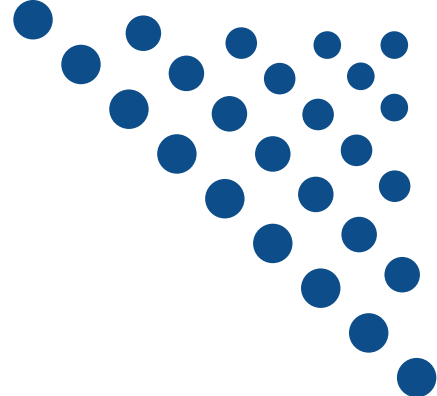
Authorized Immigration from Asia



Authorized Immigration from the Americas

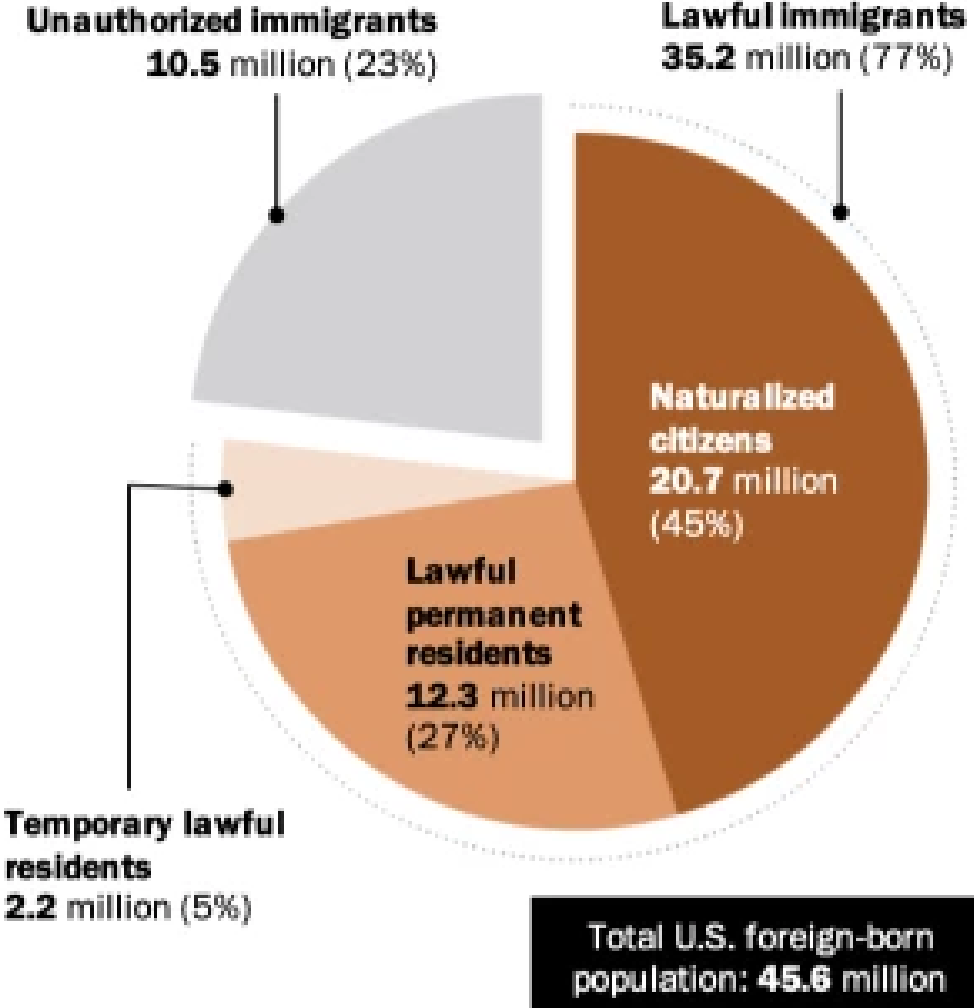


Immigrant Population in 2017



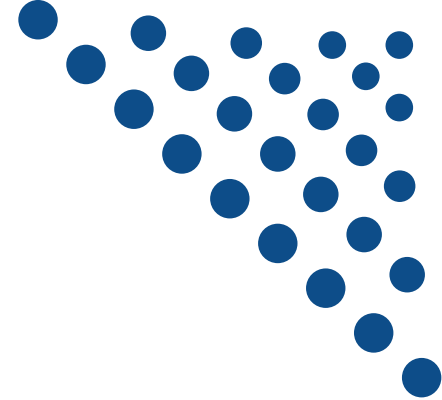
Foreign-born population estimates, 2017

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



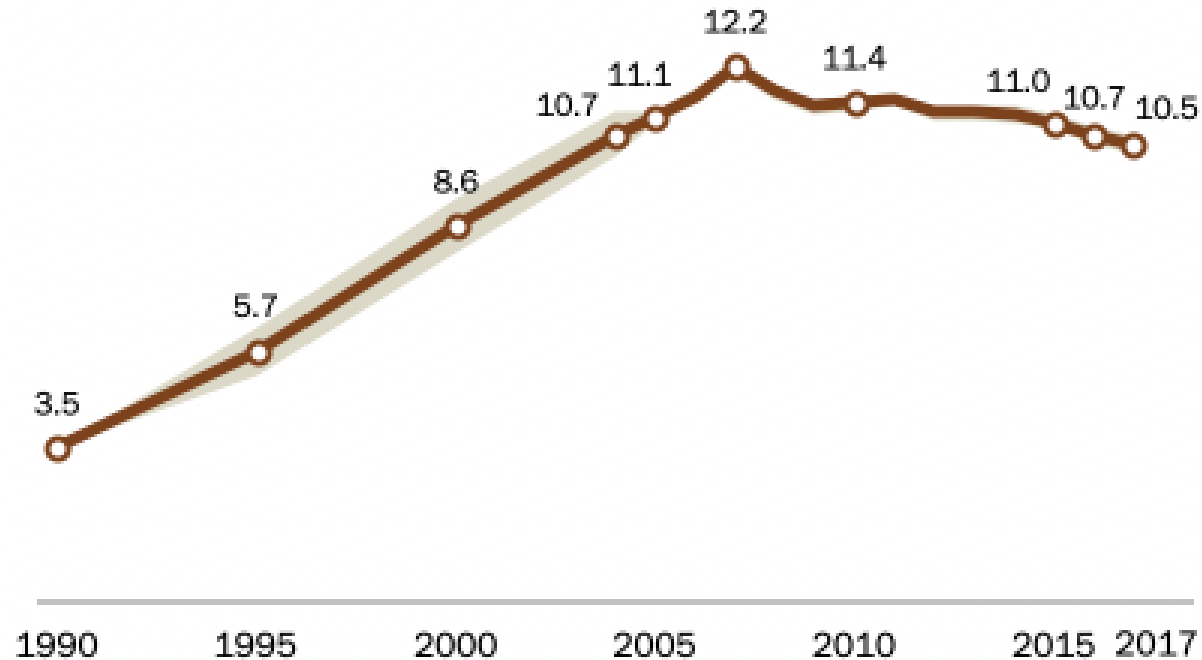


U.S. Unauthorized Immigration Totals



U.S. unauthorized immigrant total rises, then falls

In millions



Note: Shading shows range of estimated 90% confidence interval.

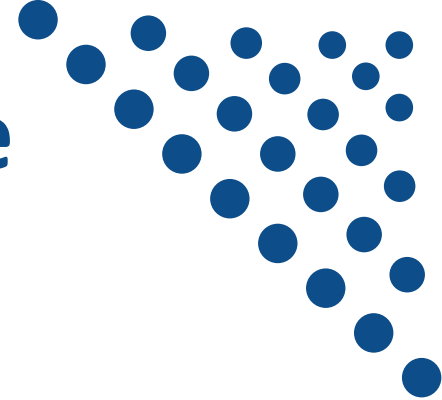
Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

PEW RESEARCH CENTER



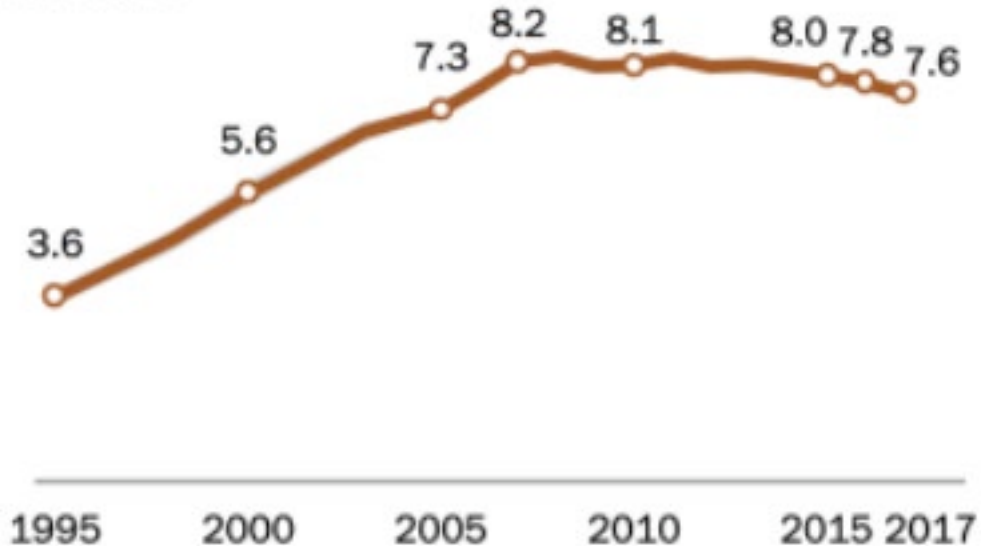


Unauthorized Immigration: Labor Force



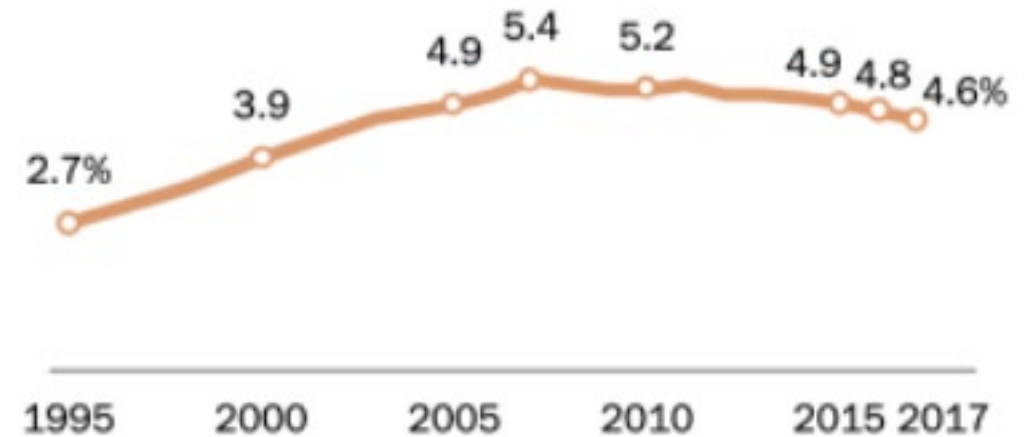
Number of unauthorized immigrants in U.S. workforce ticks down

In millions

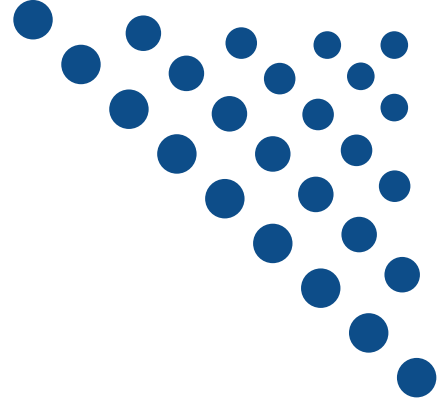


Unauthorized immigrants decline as a share of the U.S. labor force

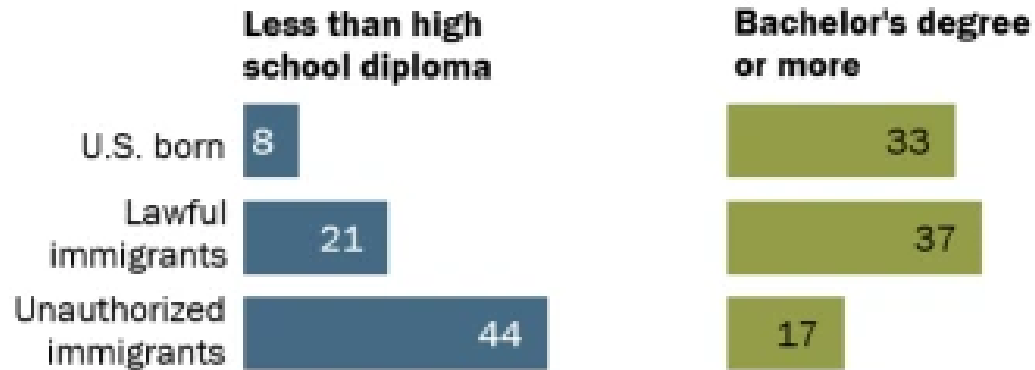
%



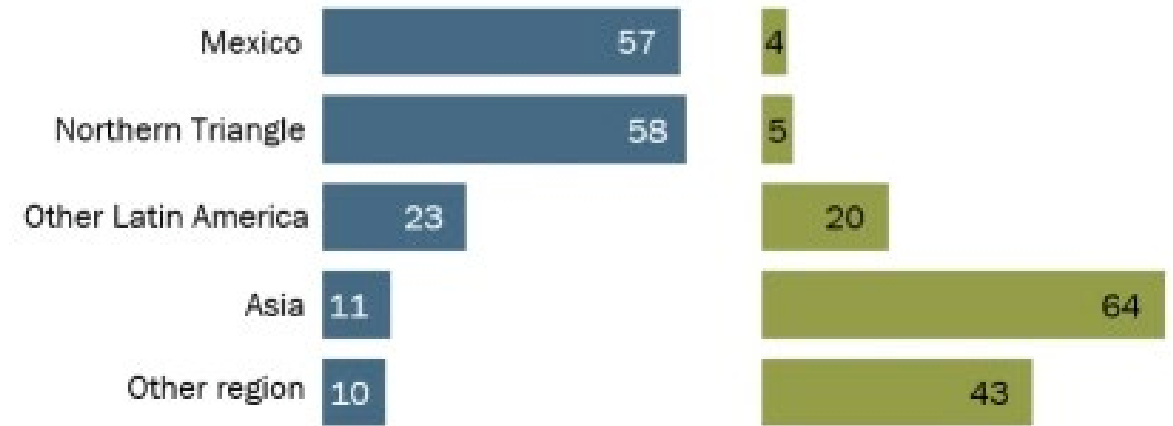
Unauthorized Immigration: Education



% in 2016 among those ages 25-64 with ...



Among unauthorized immigrants from ...



Note: Northern Triangle includes El Salvador, Guatemala and Honduras.

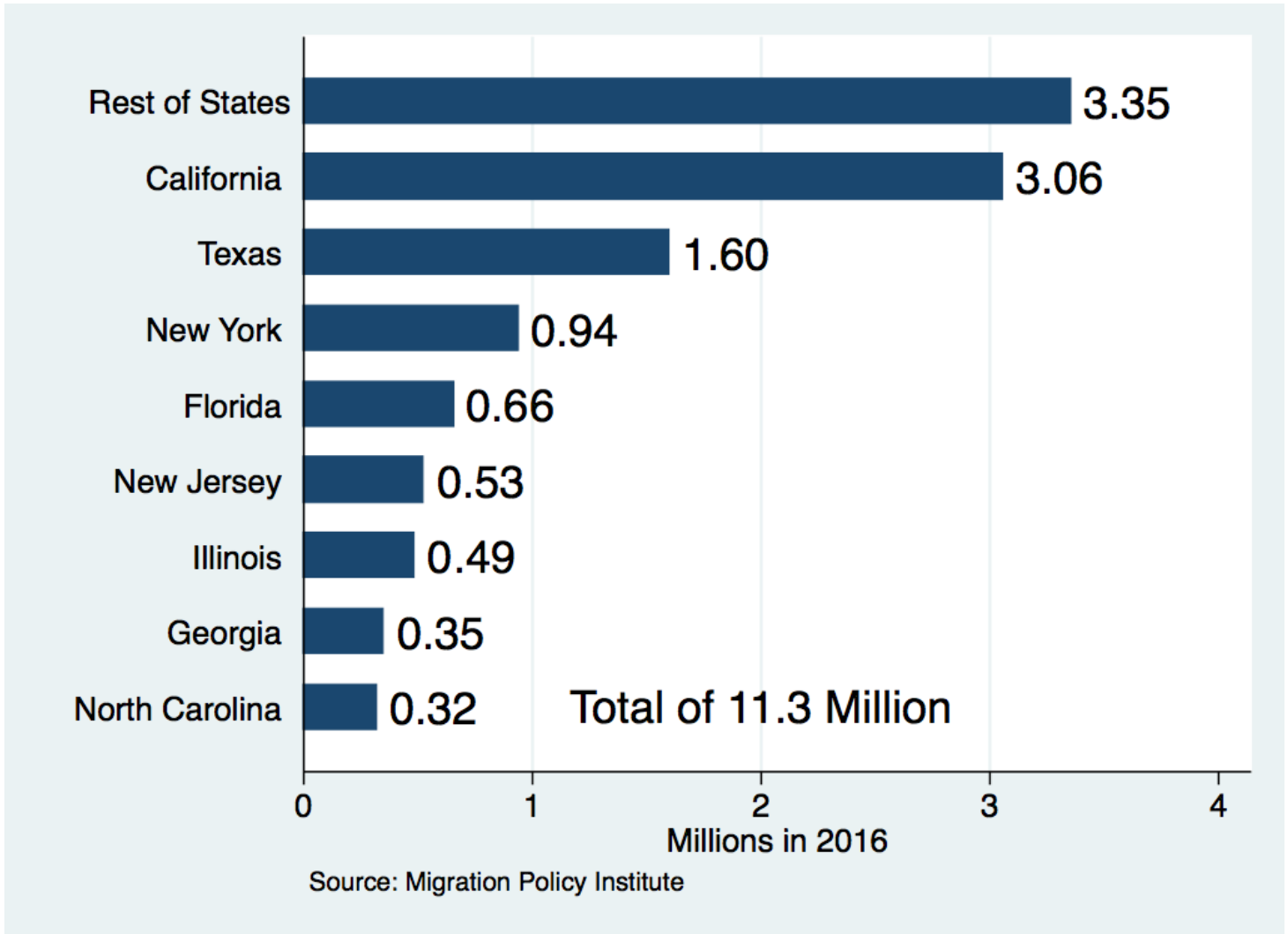
Unauthorized Population: Source Countries

In thousands

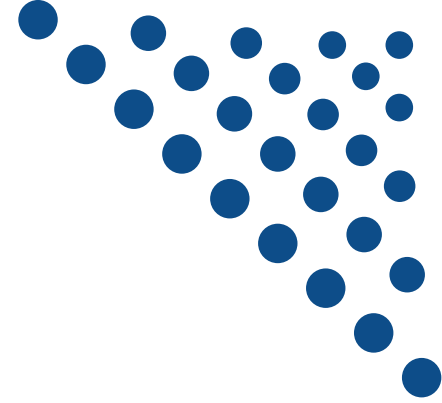
	2017	2007	Change
Latin America			
Mexico	4,950	6,950	-2,000
Central America	1,900	1,500	+400
South America	775	900	-130
Caribbean	475	475	—
Other regions			
Asia	1,450	1,300	+130
Europe, Canada	500	650	-150
Middle East	130	140	—
Africa	250	250	—
U.S. total	10,500	12,200	-1,750



Unauthorized Immigration: Where They Live



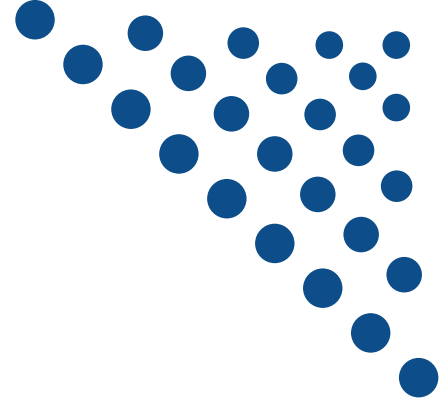
Why Do We Care? Economic Implications



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



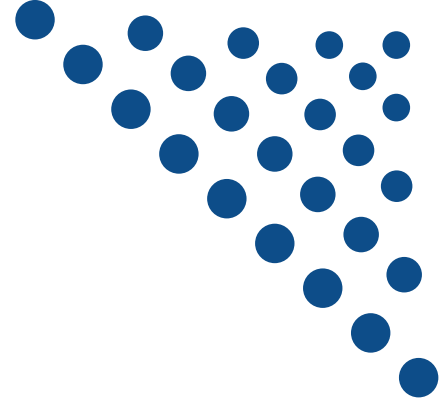
Two Sets of Implications



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

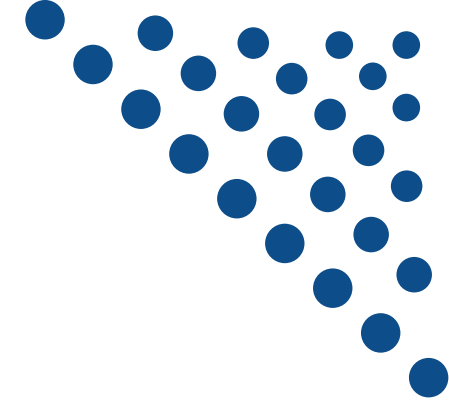


GDP: How Does This Work?



- **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.

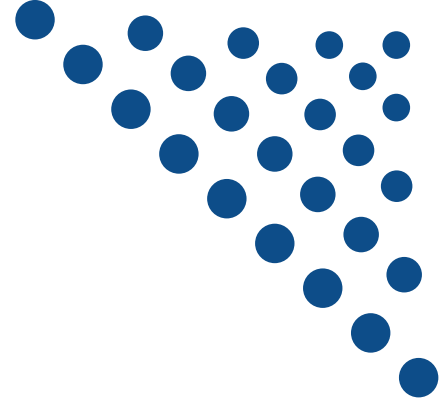




Immigration and Labor Markets



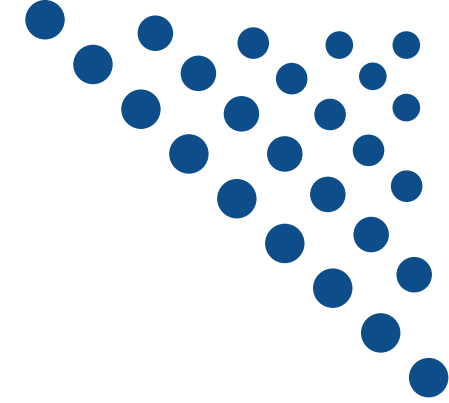
Labor Market Implications: Complicated



- **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



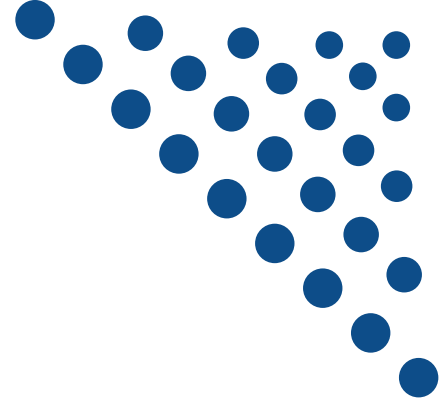
Immigration Is Similar to Trade



- **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



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.



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.



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.**



Labor Market Implications: General Principles



- **Short run**

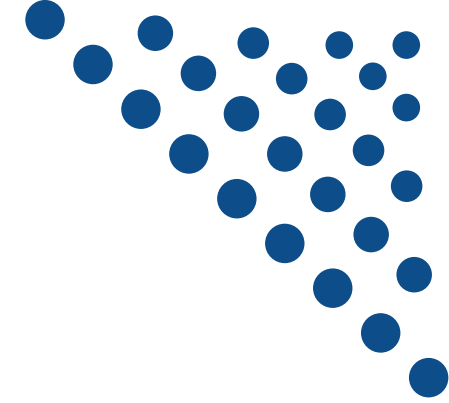
- Harm likely to native-born workers who are similar to immigrants.
- Benefit likely for other workers and owners of capital.

- **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.***



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.



Potential Benefits for Low-Skilled Native Workers

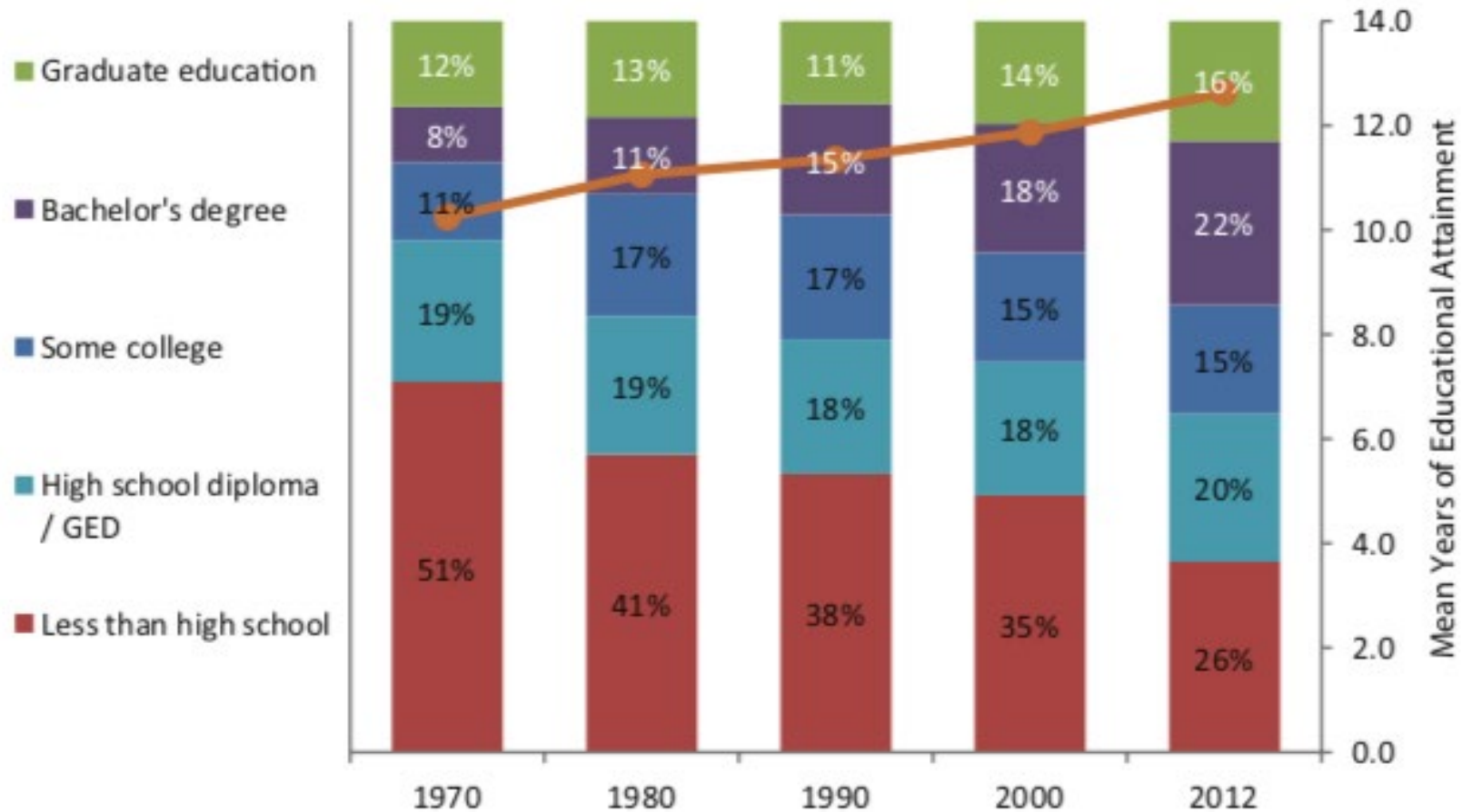


- **Immigration can increase native-born worker wages:**
 - More demand for jobs where English is necessary
 - Increased demand for goods and services – increases wages in those industries.
 - Each immigrant creates 1.2 local jobs – mostly for native-born workers.

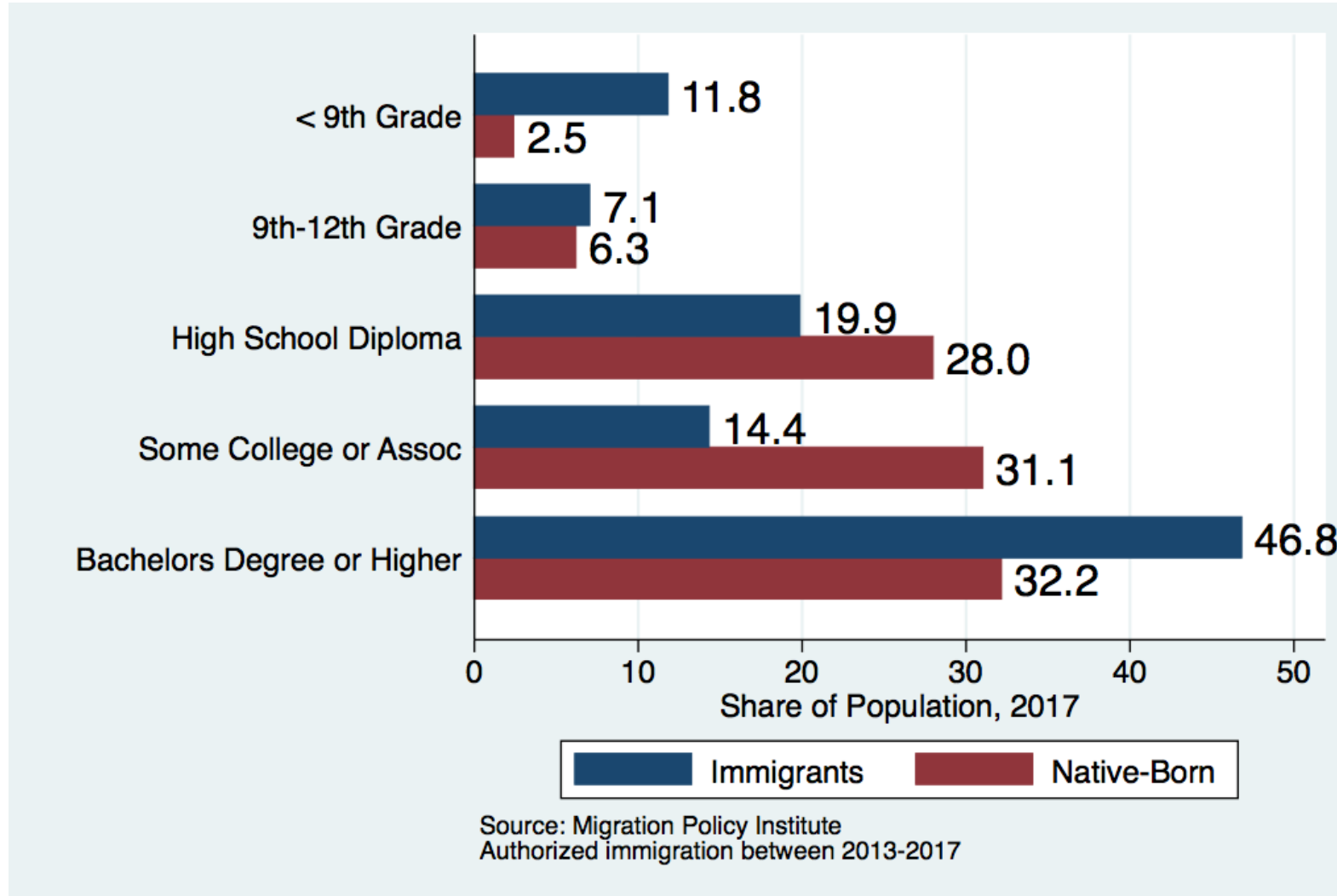


Pattern of Immigration

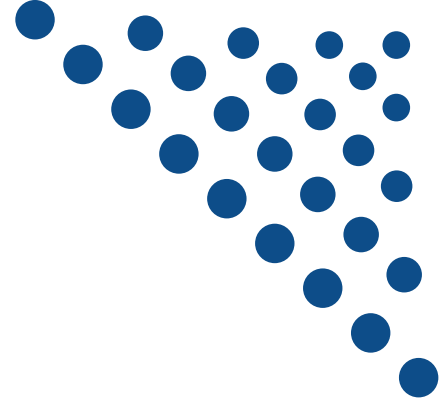
Educational Attainment of Recent Immigrants – Last 5 Years



Recent Immigrants Are Less and More Educated



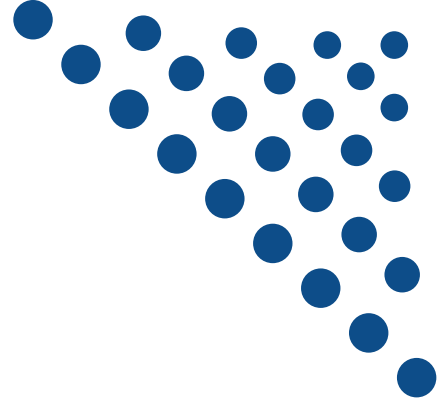
Skilled Immigrants and Innovation



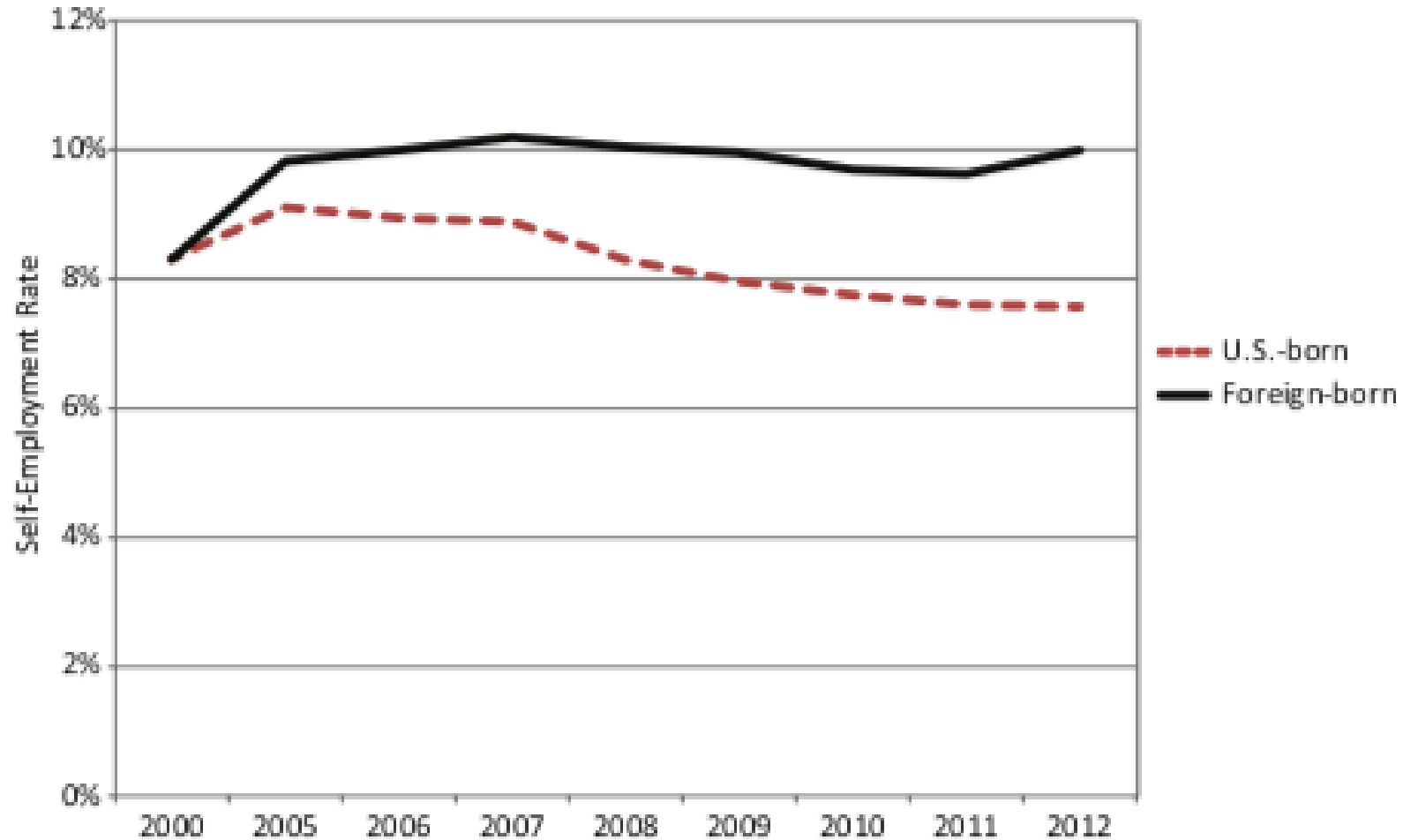
- **1% increase in the share of the immigrant college graduate population**
 - 9-18% increase in patenting per capita
 - Increased immigration increases patenting by native-born population
 - Nonetheless, the effect is positive
- **In the 1990s**
 - Increased skilled immigration can account for one-third 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.

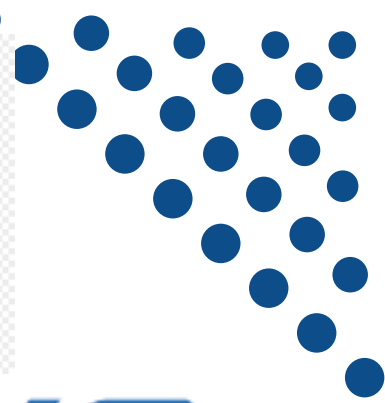


Immigrants and Entrepreneurship

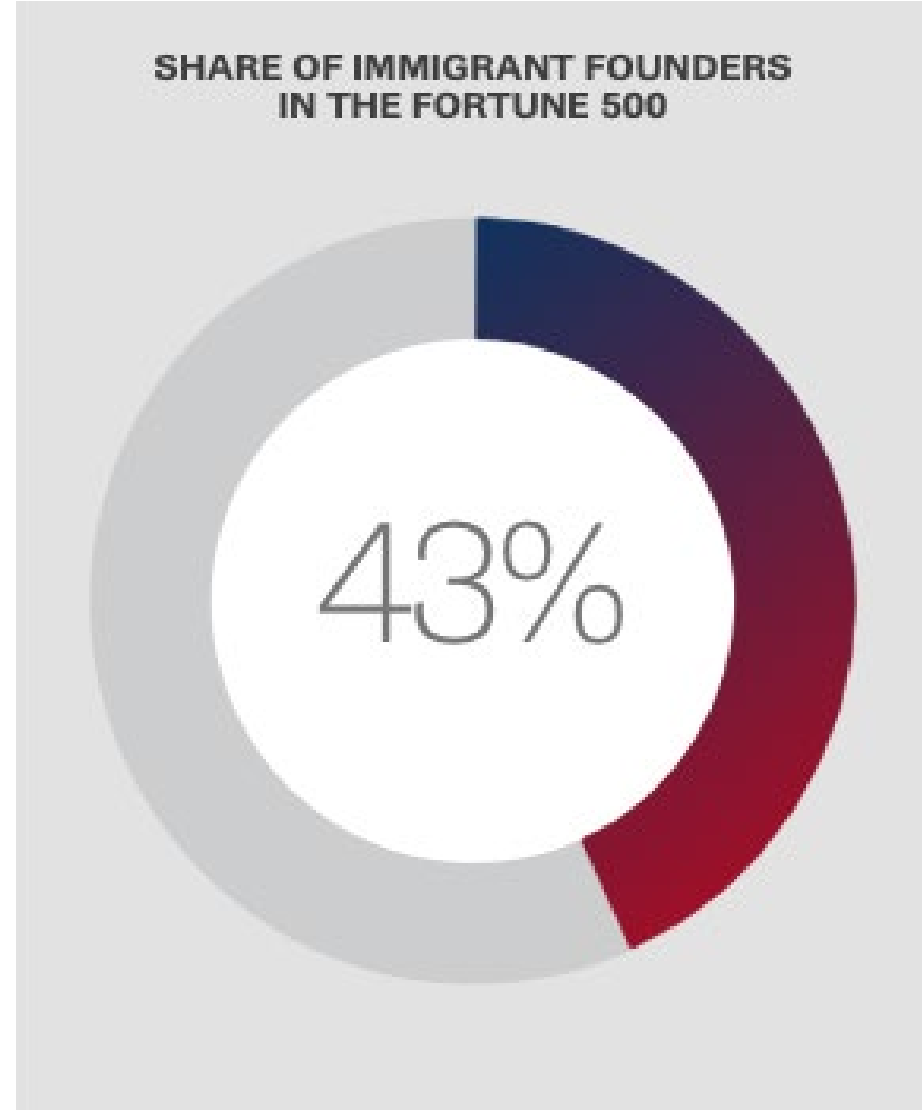
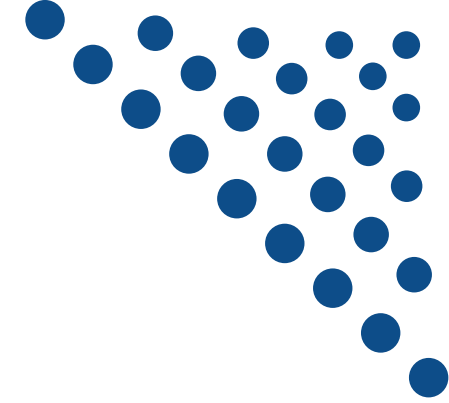


Self-Employment Rates by Nativity



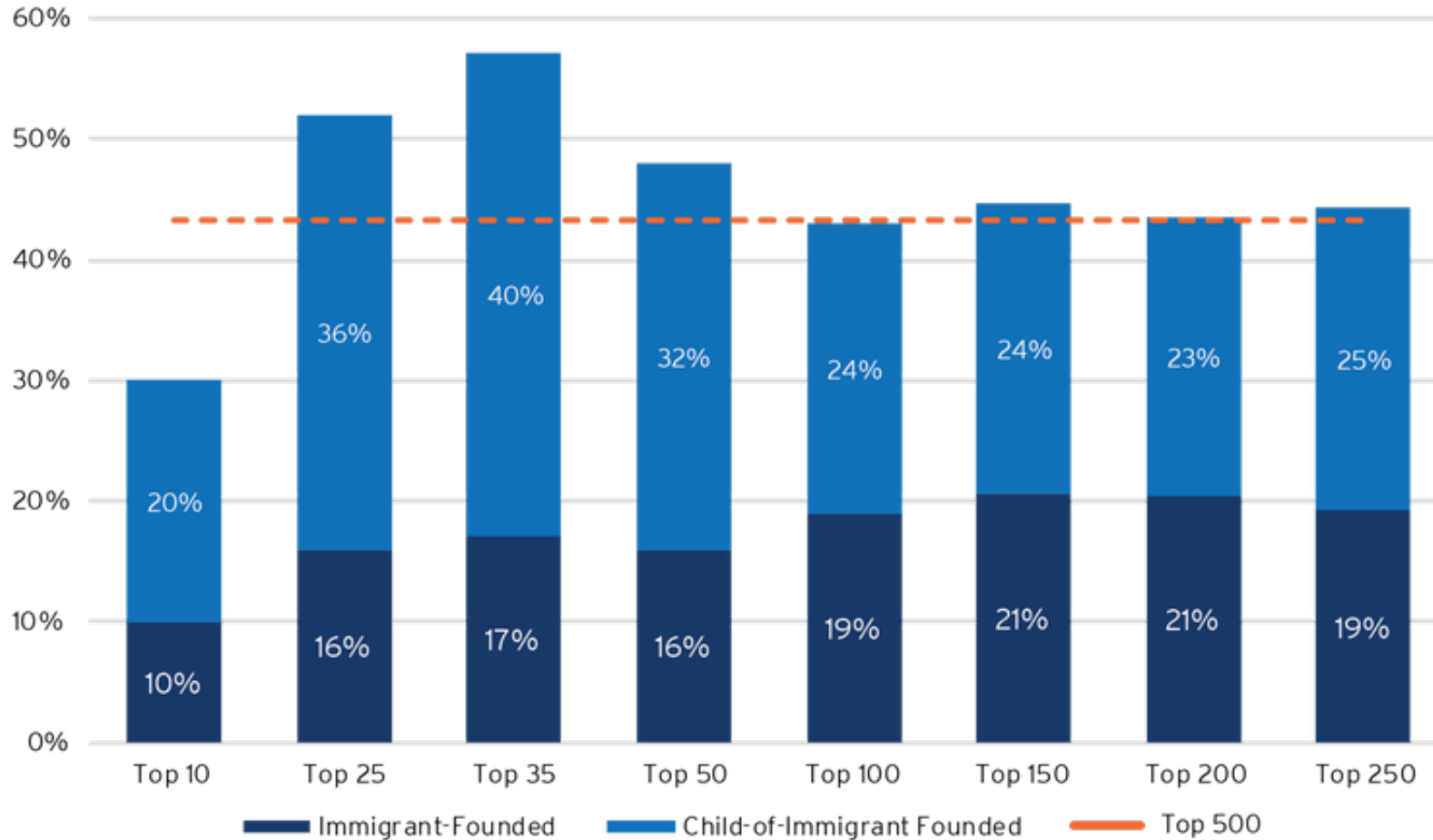


Fortune 500: First- and Second-Generation Founders



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

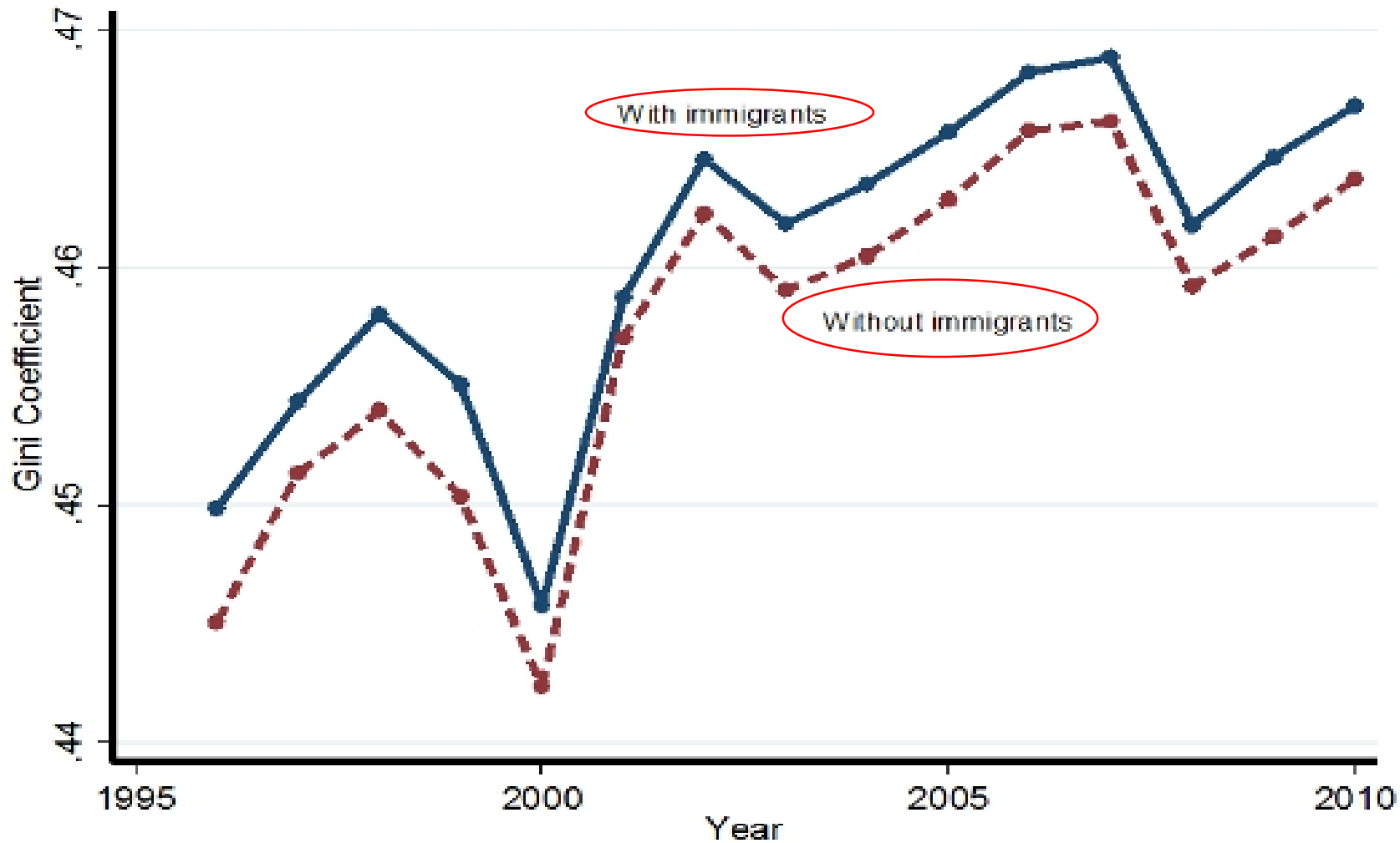
2017



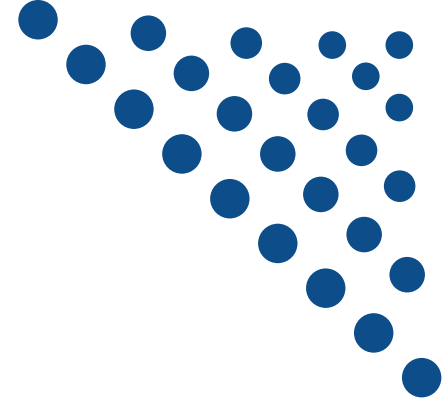
Source: Center for American Entrepreneurship
 of Fortune Magazine data



Immigration and Inequality



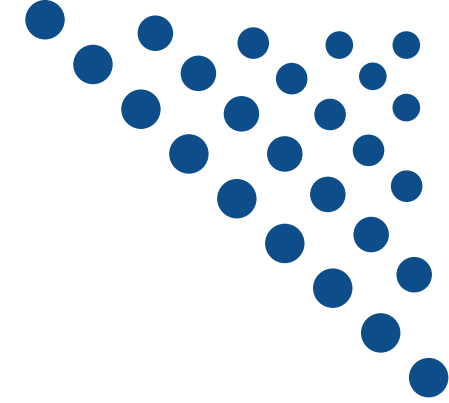
Immigration and Inequality: Summary



- **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



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.

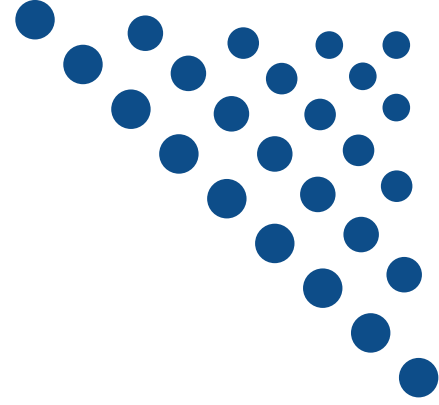


Prices: Distributional Consequences

- **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 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

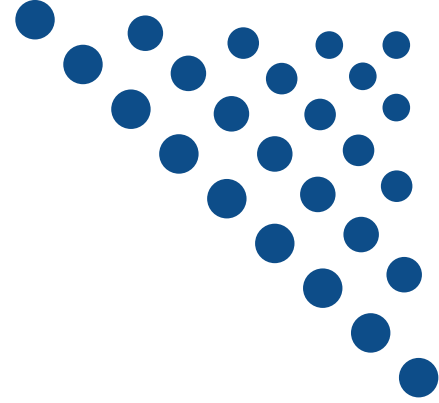




Government Revenues and Expenditures



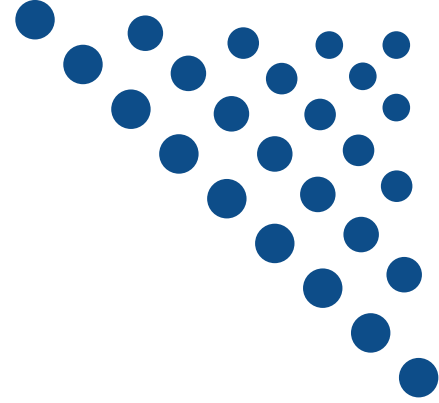
Why Is This Important?



- **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



Topics?



- **Basic Question:**

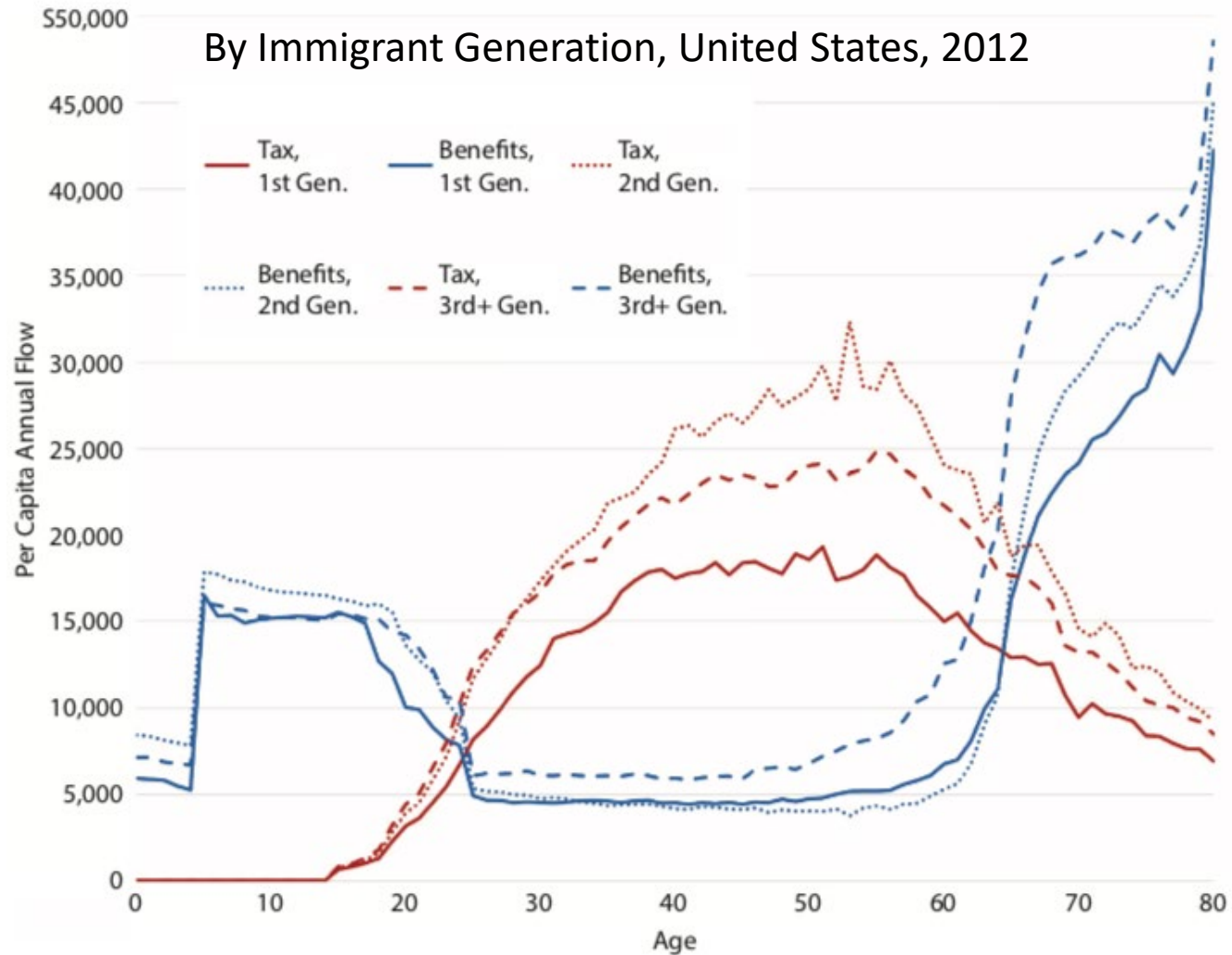
- Taxes (income, sales, and other) immigrants pay vs. government expenditures on public benefits and services they receive.

- **More complicated:**

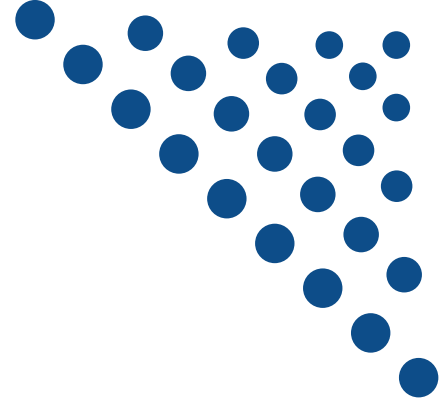
- Immigrants also affect the fiscal equation for many native-born residents.
 - Indirectly through labor and capital markets.
 - Changes in wages and the return to capital.



Age-Specific Taxes and Benefits



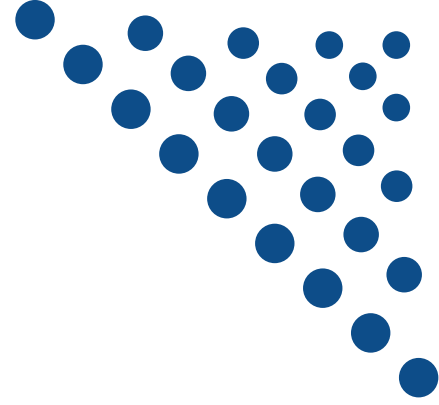
What Do We Know?



- **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
 - Though this value gradually declines with age at arrival.
 - 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



Bottom Line/Consensus of Estimates



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



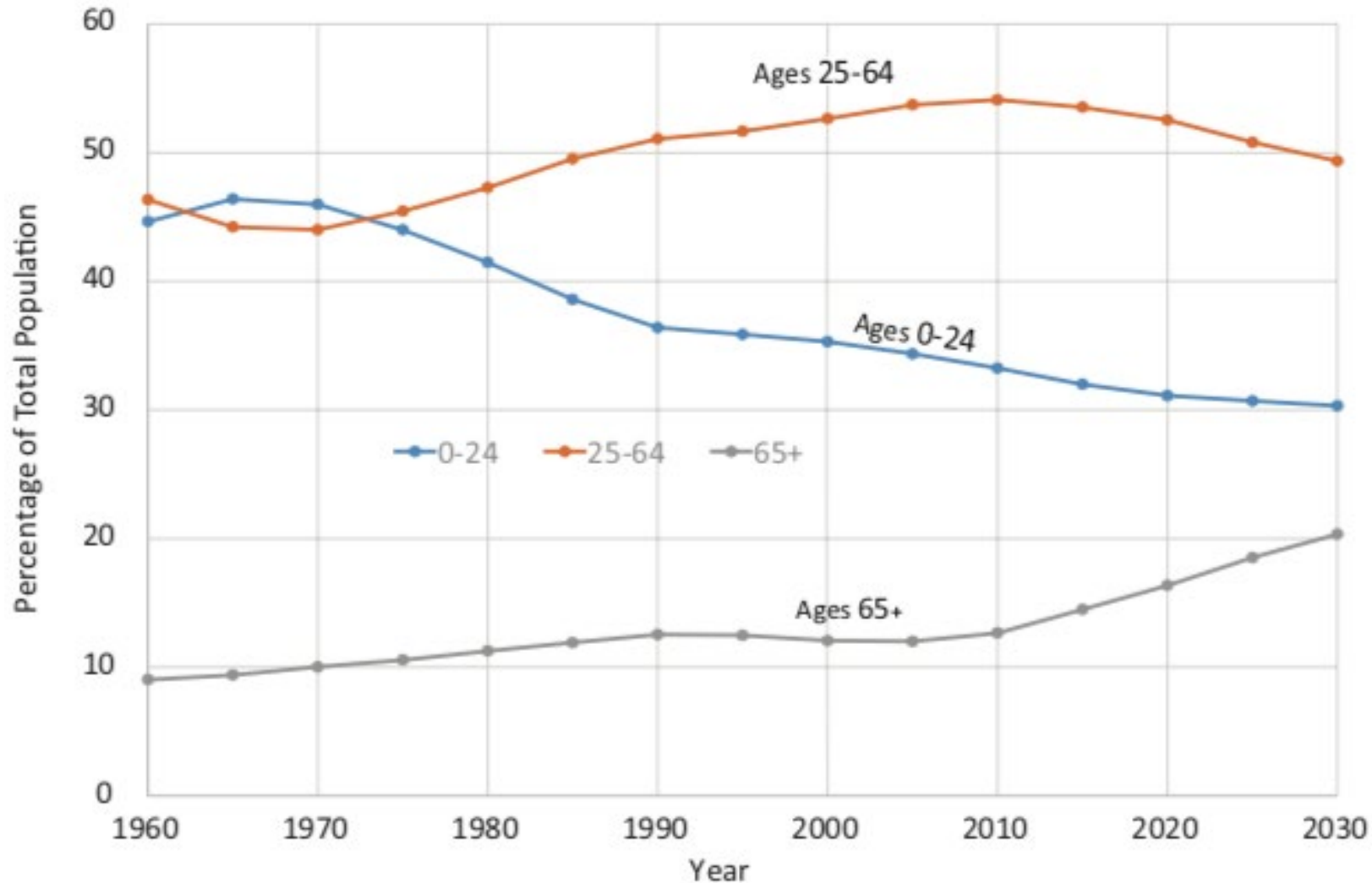
Implications for Major Federal Programs



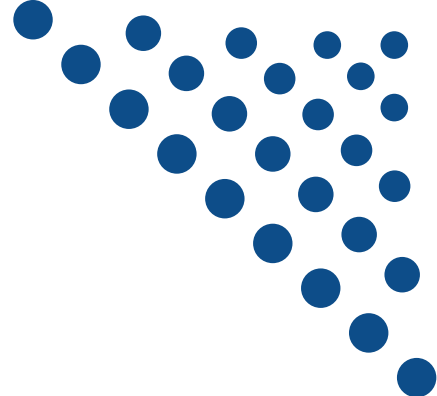
- **Documented immigrants are less likely to use Social Security and Medicare.**
- **Unauthorized immigrants are ineligible.**
 - They will pay into the system but cannot receive benefits.
- **Medicaid: not available to legal residents for the first five years.**
- **Provide a source of revenue for an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



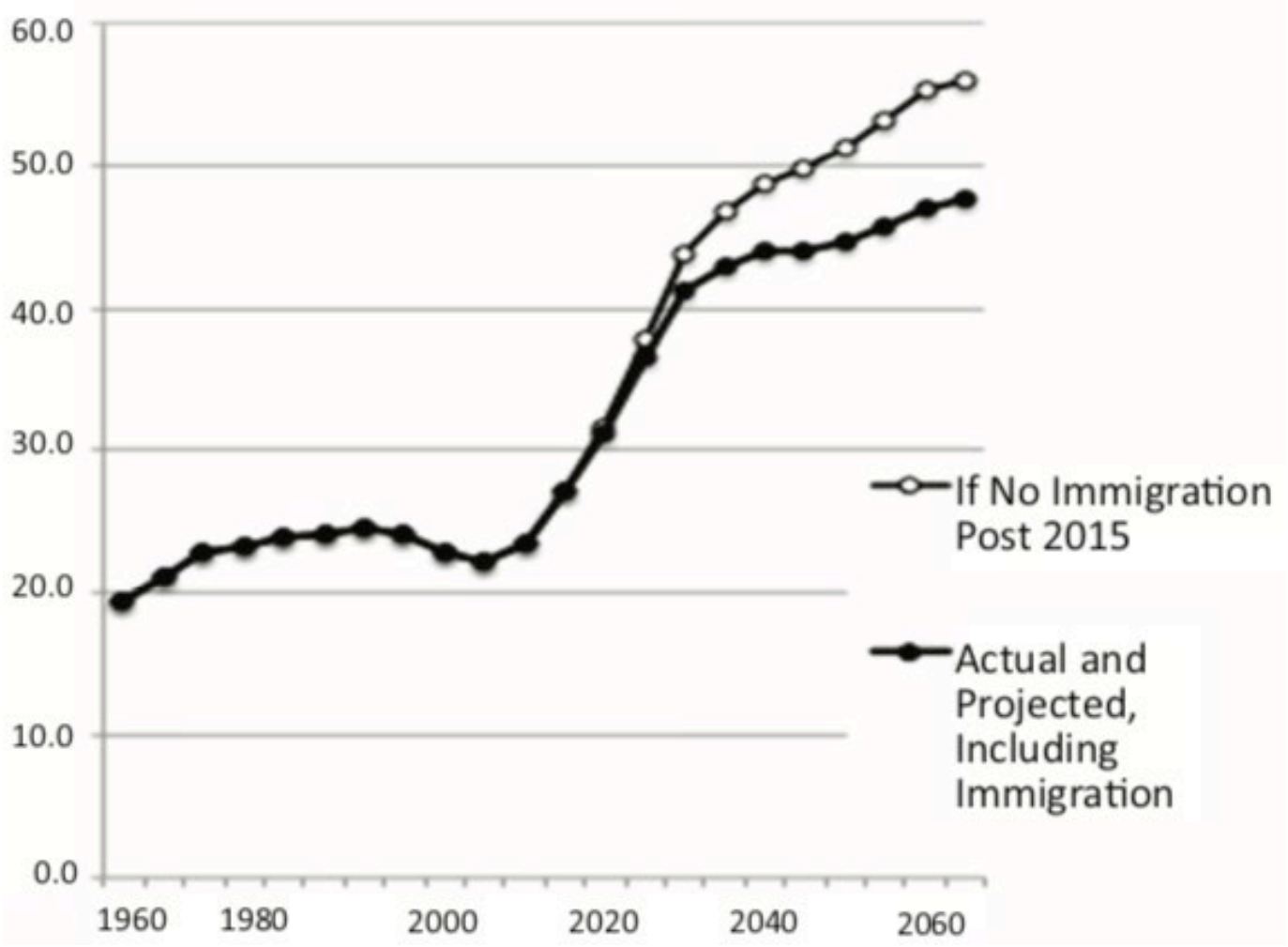
The Aging US Population

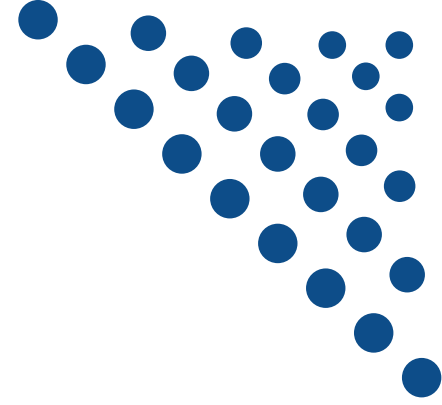


Implications for Social Security



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





Other Implications of Immigration



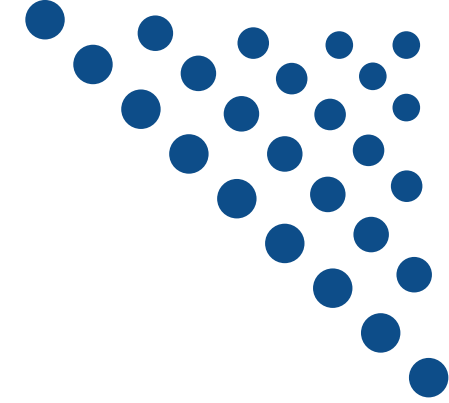
Exports and FDI



- **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.**



Non-Economic Implications



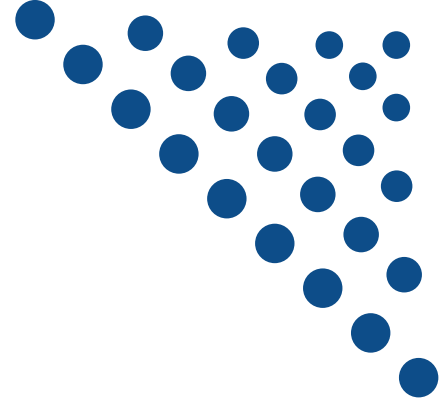
Patterns of Integration

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

The Big Misconception: Crime



Immigrants and Crime Rates

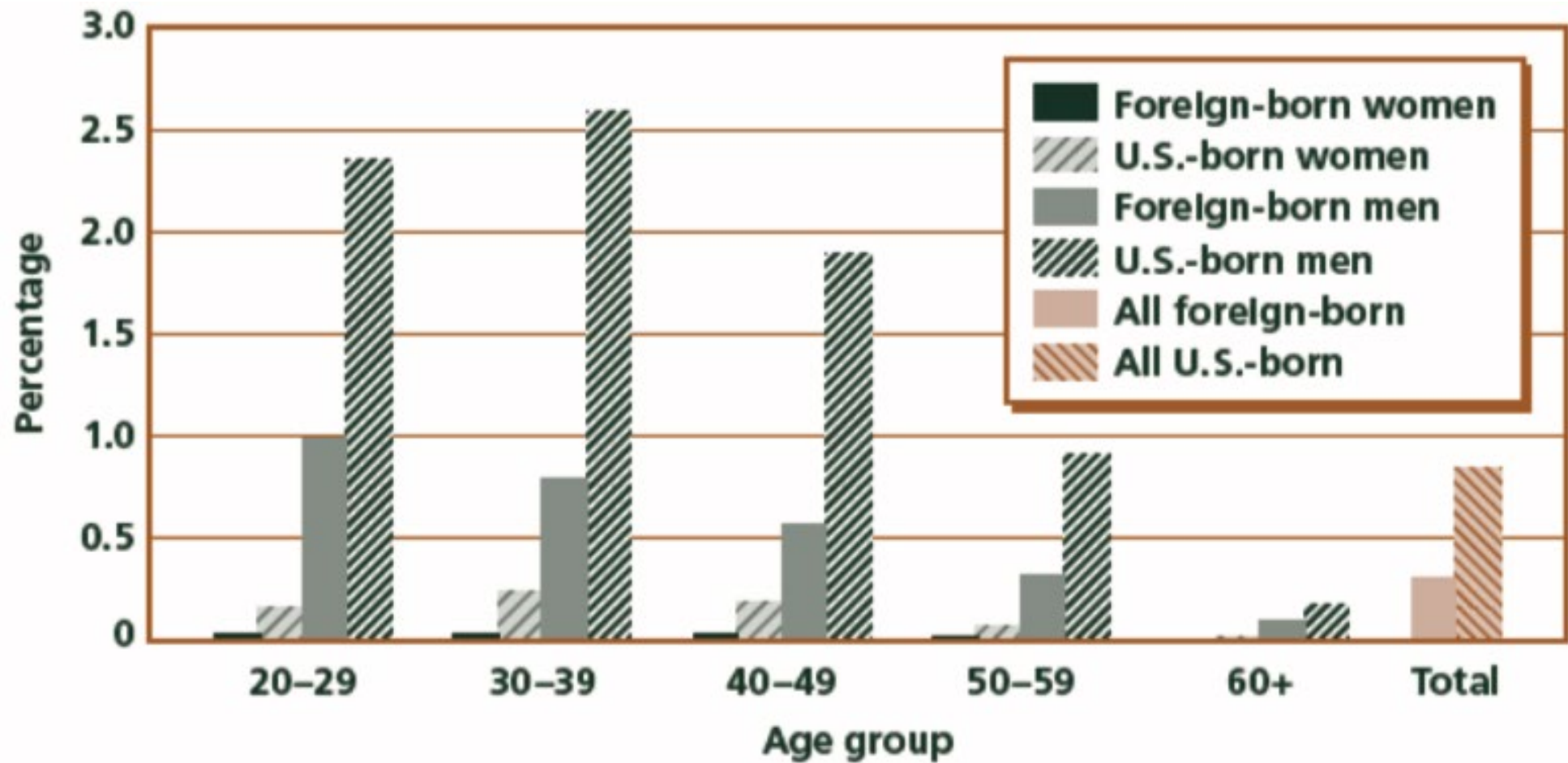


- **Conventional wisdom:**
 - Immigrants commit crimes more frequently than do native-born residents.
 - Rising immigration leads to rising crime.

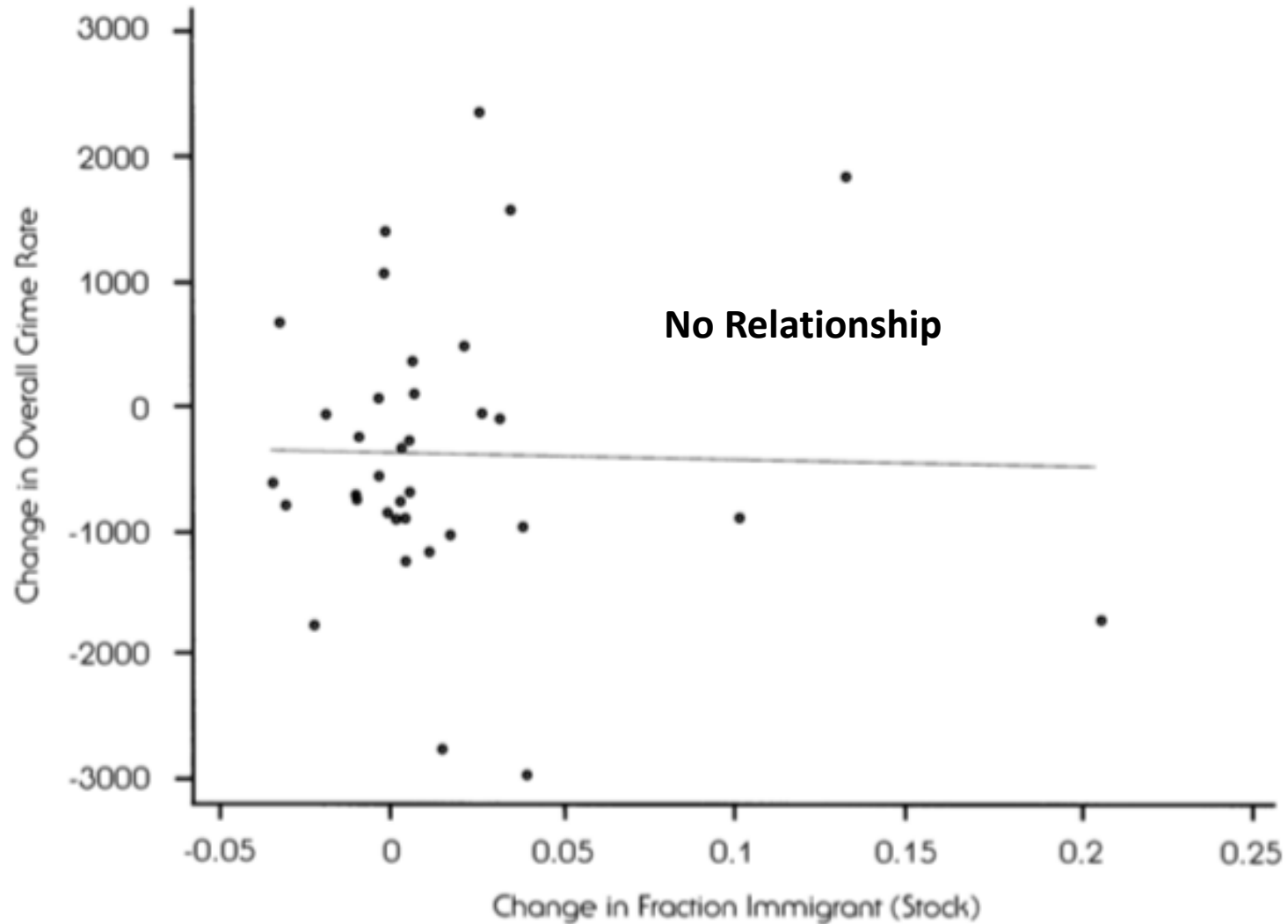
Let's Have a Look!



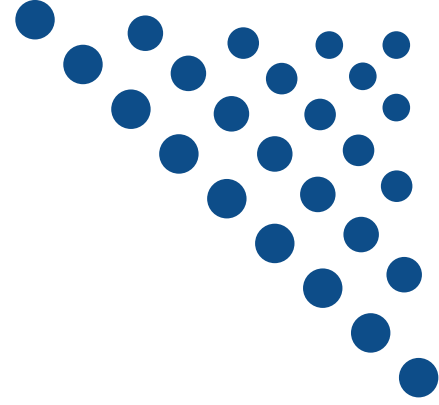
Crime: Incarceration Rates in California



MSAs: Growing Immigration and Crime



Immigrants and Crime Rates



- **Conventional wisdom:**

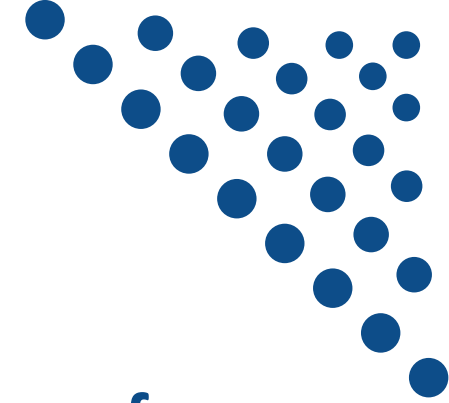
- Immigrants commit crimes more frequently than do native born residents.
- Rising immigration leads to rising crime.

- **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.



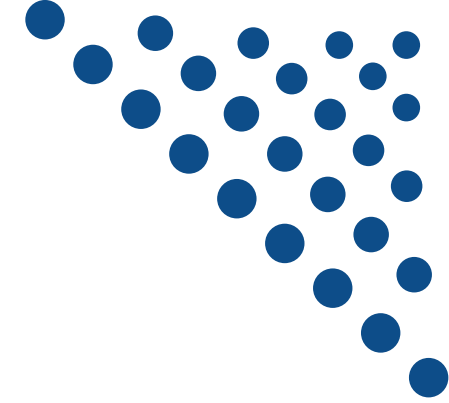
Summary



- 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.



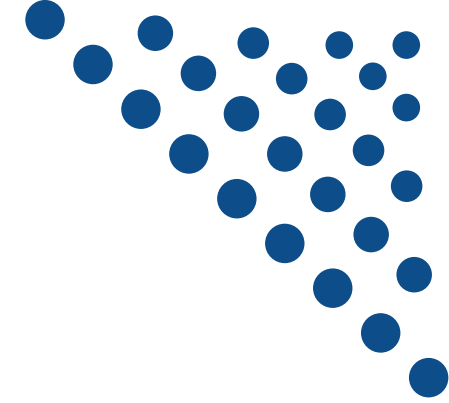
At the Same Time....



- **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;
 - 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.

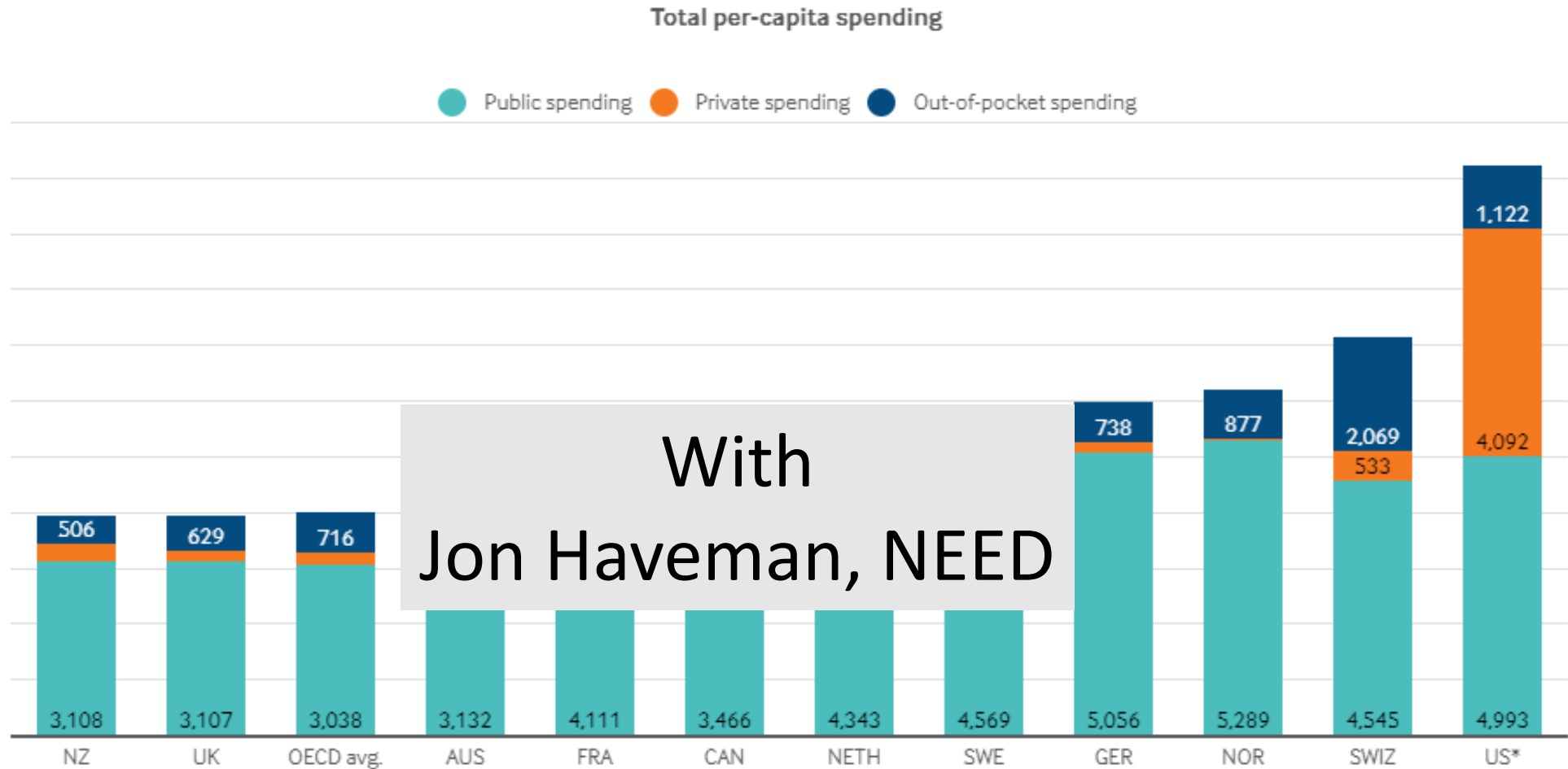
- **Government programs**

- 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.



See You Next Week: Healthcare Economics

Dollars (US\$), adjusted for differences in cost of living



With
Jon Haveman, NEED



Thank you!

Any Questions?

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