

Osher Lifelong Learning Institute, Winter 2022

Contemporary Economic Policy

University of Alaska, Fairbanks
February-March, 2022

National Economic Education Delegation



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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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Who Are We?

- **Honorary Board: 54 members**

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

- **Delegates: 590+ 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



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Available NEED Topics Include:

- **Coronavirus Economics**
- **US Economy**
- **Climate Change**
- **Economic Inequality**
- **Economic Mobility**
- **Trade and Globalization**
- **Minimum Wages**
- **Immigration Economics**
- **Housing Policy**
- **Federal Budgets**
- **Federal Debt**
- **Black-White Wealth Gap**
- **Autonomous Vehicles**
- **US Social Policy**



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Submitting Questions

- **Please submit questions in the chat**
 - I will try to handle some of them at the end of each topic, and do my best to address them all as time permits.
- **We will do a verbal Q&A once the material has been presented.**
- **OLLI allowing, we can stay beyond the end of class to have further discussion.**



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The Economics of Immigration

Jo Beth Mertens, Ph.D.
*Hobart and William Smith
Colleges*



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Credits and Disclaimer

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- **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).



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Outline

- **Why do people migrate?**
- **Brief history of immigration to the US**
- **How does immigration affect the economy?**
- **Immigration policies**



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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.



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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 helps create push and pull factors:**

- Disparities in income, standards of living, and the availability of jobs within and across societies.



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Source: Gilder Lehrman Institute of American History.

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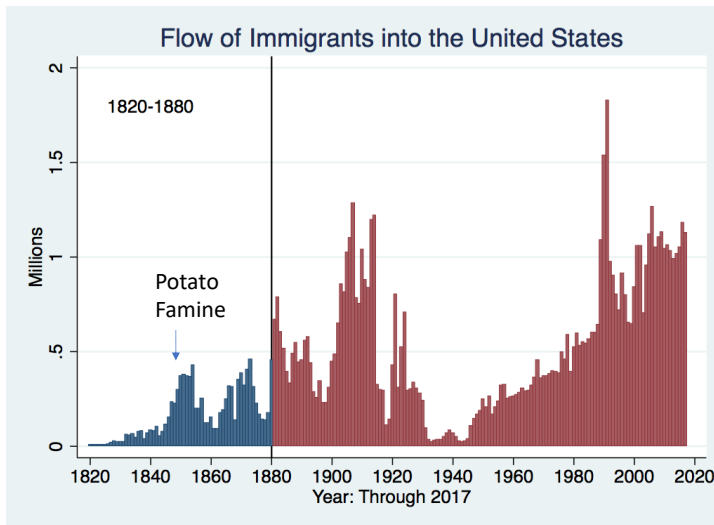
History of US Immigration

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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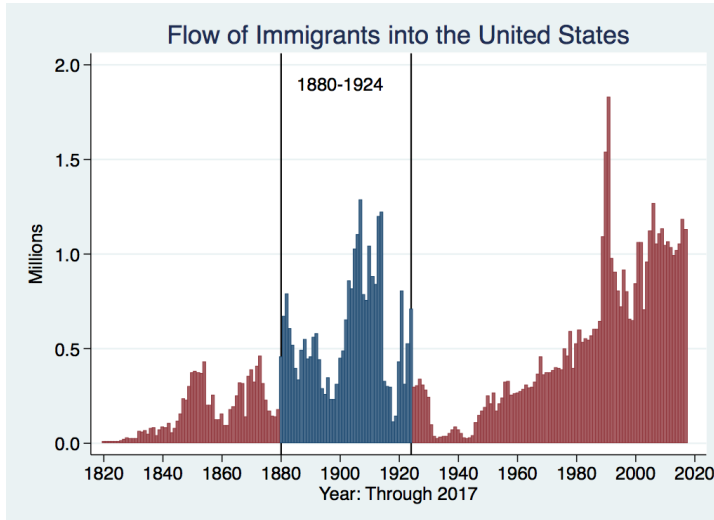
History of US Immigration



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

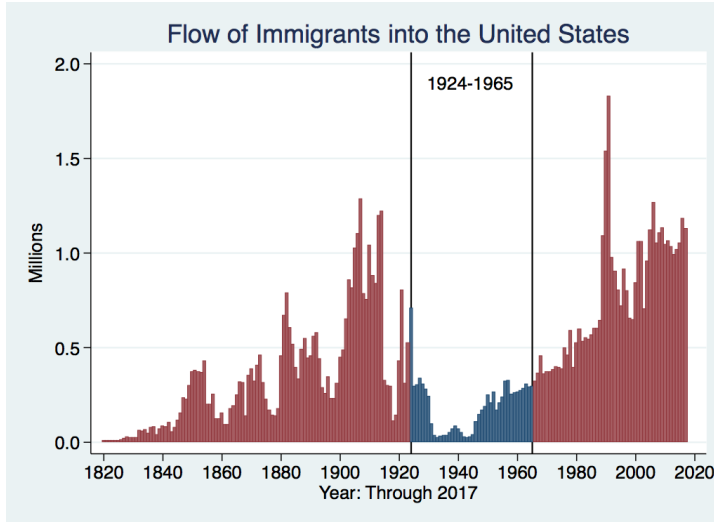
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Nationality of US Immigrants

1830-1890	1890-1920
German	Austro-Hungarian
Irish	Italian
British	Russian and Soviet

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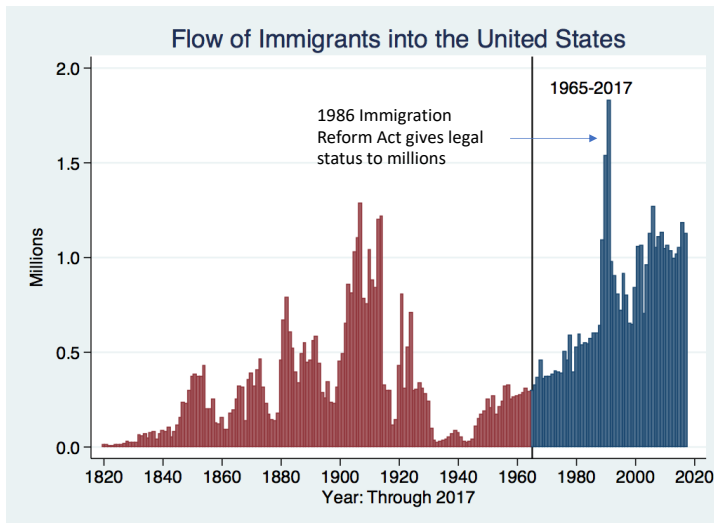
History of US Immigration



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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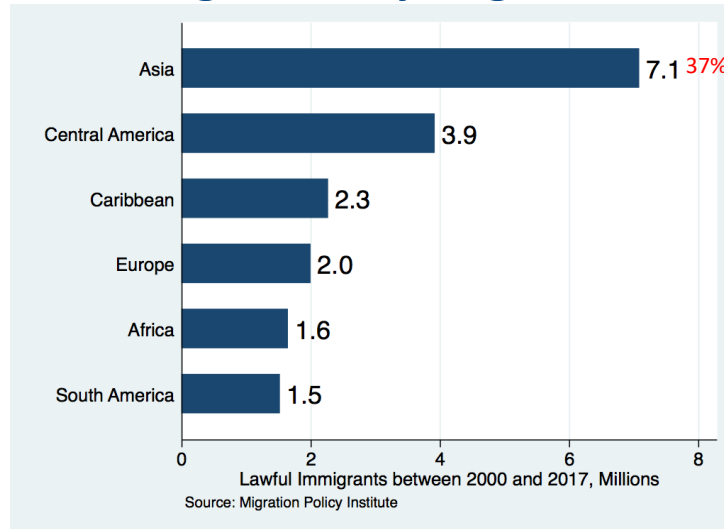
History of US Immigration: 1965-Today



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

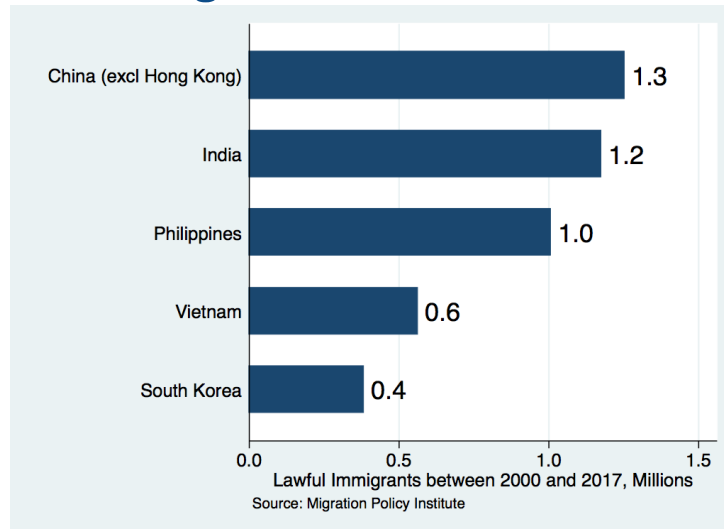
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Authorized Immigration by Region



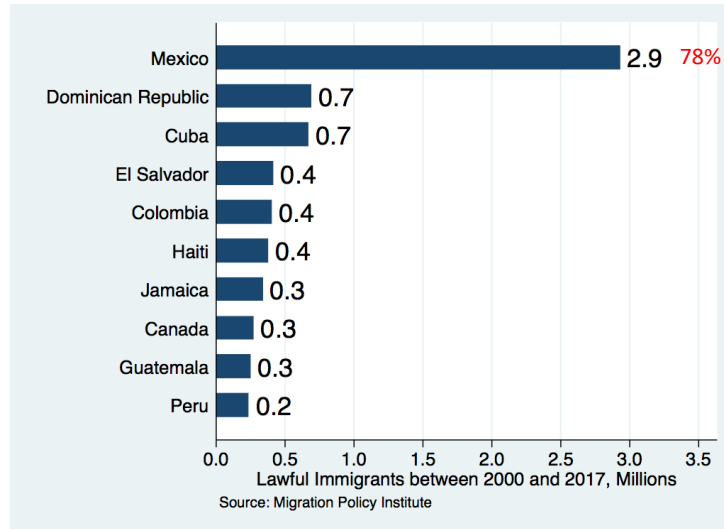
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Authorized Immigration from Asia



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Authorized Immigration from the Americas

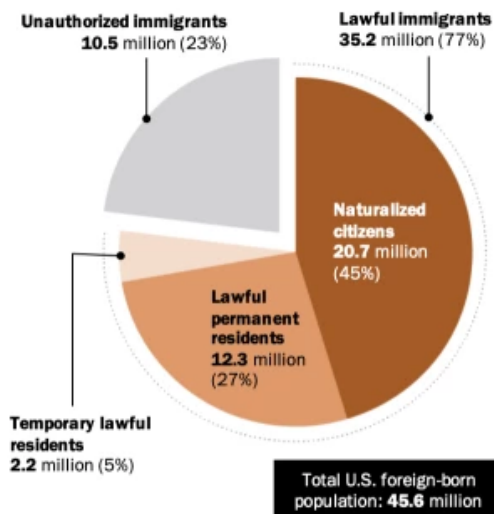


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Immigrant Population in 2017

Foreign-born population estimates, 2017

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

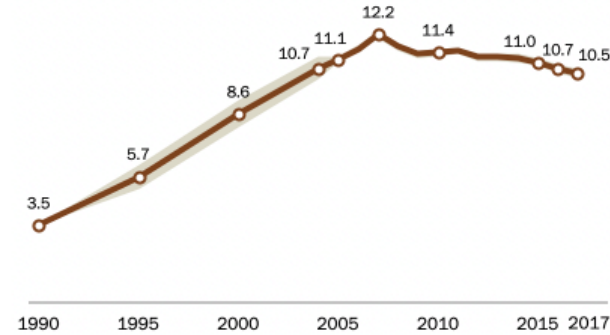


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U.S. Unauthorized Immigration Totals

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.

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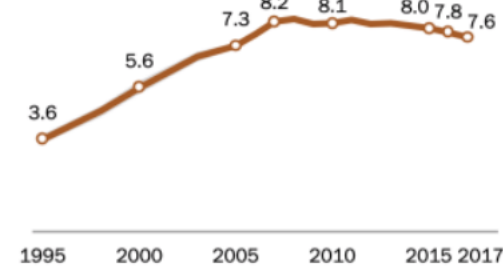


Pew Research Center, 5 facts about illegal immigration in the U.S., June 12, 2019

U.S. Unauthorized Immigration: Labor Force

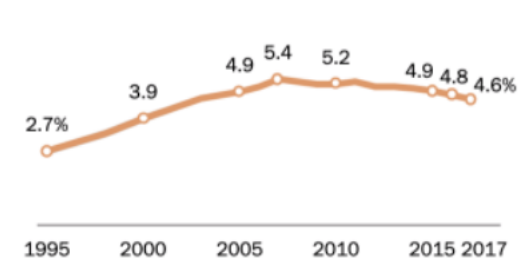
Number of unauthorized immigrants in U.S. workforce ticks down

In millions

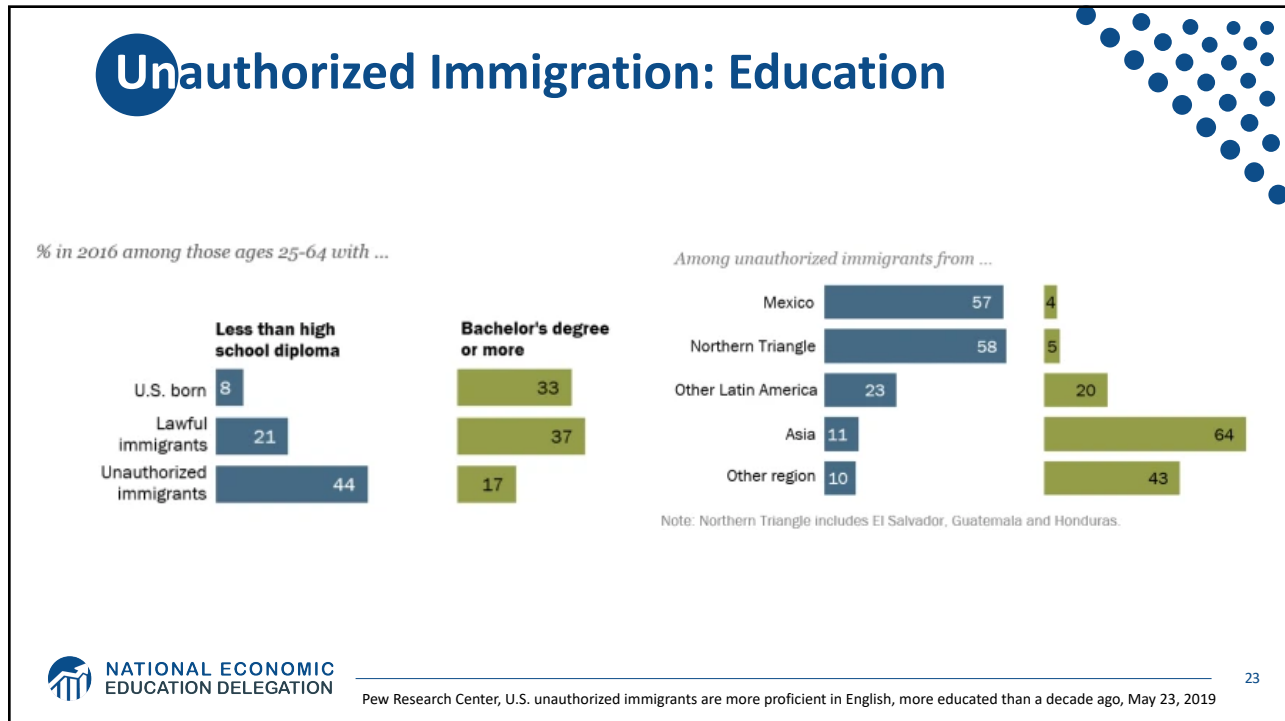


Unauthorized immigrants decline as a share of the U.S. labor force

%



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

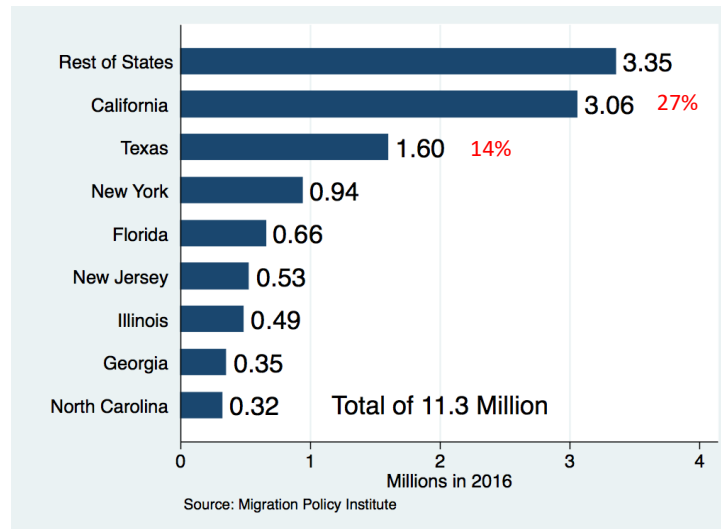
	2017	2007	Change
Latin America			
Mexico	4,950	6,950	-2,000
Central America	1,900	1,500	+400
South America	775	900	-130
Caribbean	475	475	—
Other regions			
Asia	1,450	1,300	+130
Europe, Canada	500	650	-150
Middle East	130	140	—
Africa	250	250	—
U.S. total	10,500	12,200	-1,750

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Unauthorized Immigration: Where They Live



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Unauthorized Immigration: Mode of Entry

Table 3. Arrivals of Undocumented Migrants in 2016, by Mode of Arrival and Country of Origin: Top Five Countries (thousands)

Country	Total arrivals	Country	Overstays	Country	EWIs Entry w/o Inspection
All countries	515	All countries	320	All countries	190
Mexico	145	Mexico	50	Mexico	95
El Salvador	35	India	25	El Salvador	35
Guatemala	30	China	25	Honduras	25
Honduras	30	Venezuela	20	Guatemala	20
India	25	Philippines	15	Dom Rep.	10
All other	245	All other	185	All other	5

Note: Except for “All countries” and Mexico, overstays and EWIs do not sum to total arrivals because different countries are included in the columns that show overstays and EWIs.

Source: Center for Migration Studies.

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Why Do We Care? Economic Implications

- GDP (Economic growth)
- Labor markets
- Government revenue and spending



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Two Kinds of Economic Impacts from Immigration

- 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?
- Lower-skilled?
- More highly skilled?

- **Brings capital market implications**

- Low-skilled – substitutes for capital
- Highly skilled – capital complementing



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Source: Hong & McLaren (2015).

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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.
- Whether there are winners or losers in long-run depends on capital inflows, **could be a wash**



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Labor Market Implications: The Surplus

• The Surplus

- Immigration CAN make all native-born workers and capital more productive.
- This increases incomes of the native born.
- In other words, the economy might not just get bigger, it might become more productive as well!
- This will, on average, increase the living standards of all native-born workers and owners of capital.



Labor Market Implications: Evidence of Surplus

Type of Immigrants	Surplus: % of GDP	
	Short Run	Long Run
No Skill Bias	0.24 to 0.50	0.02 to 0.03
Low skilled	0.45 to 0.90	0.42 to 0.77
Highly skilled	0.75 to 1.35	0.16 to 0.31



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

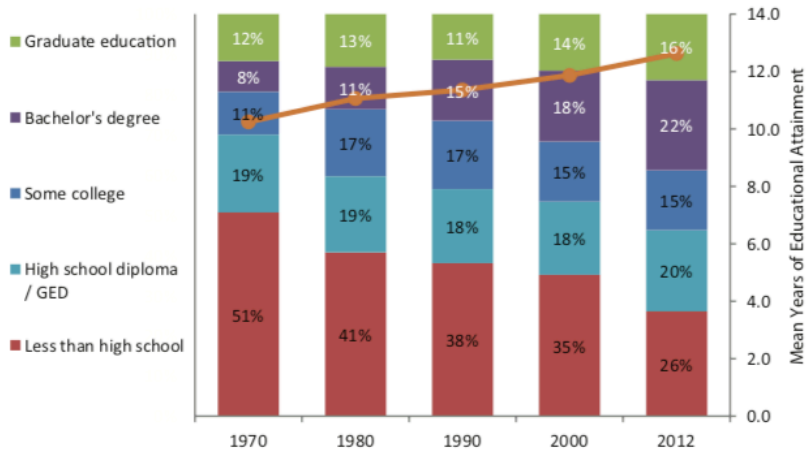
- **Immigration can increase native-born worker wages:**
 - More demand for jobs where English is necessary
 - Increased demand for goods and services – increases wages in those industries.
 - Through money spent locally, each immigrant creates 1.2 local jobs – mostly for native-born workers.



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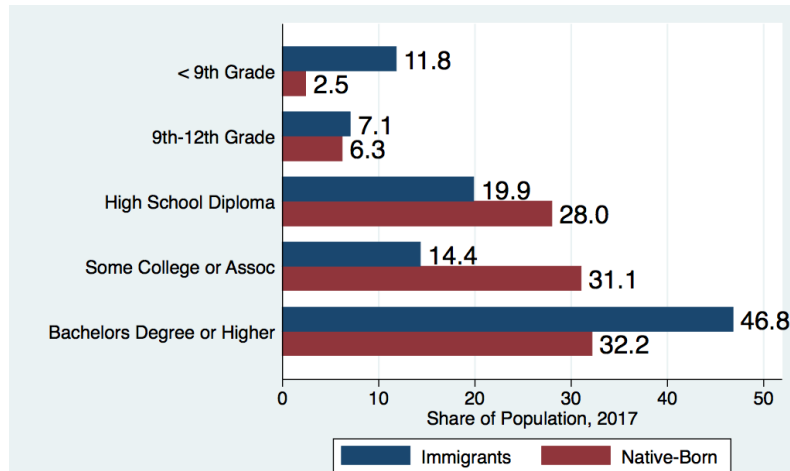
Pattern of Immigration

Educational Attainment of Recent Immigrants – Last 5 Years



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Recent Immigrants Are Less and More Educated



Source: Migration Policy Institute
Authorized immigration between 2013-2017

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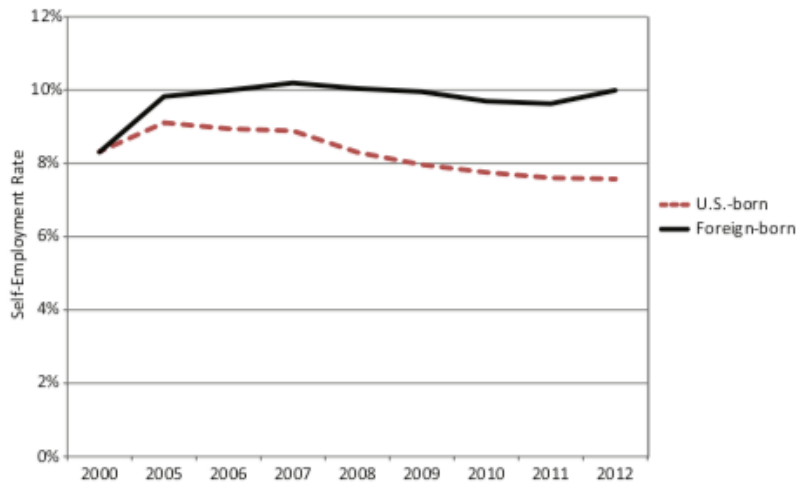
Skilled Immigrants and Innovation

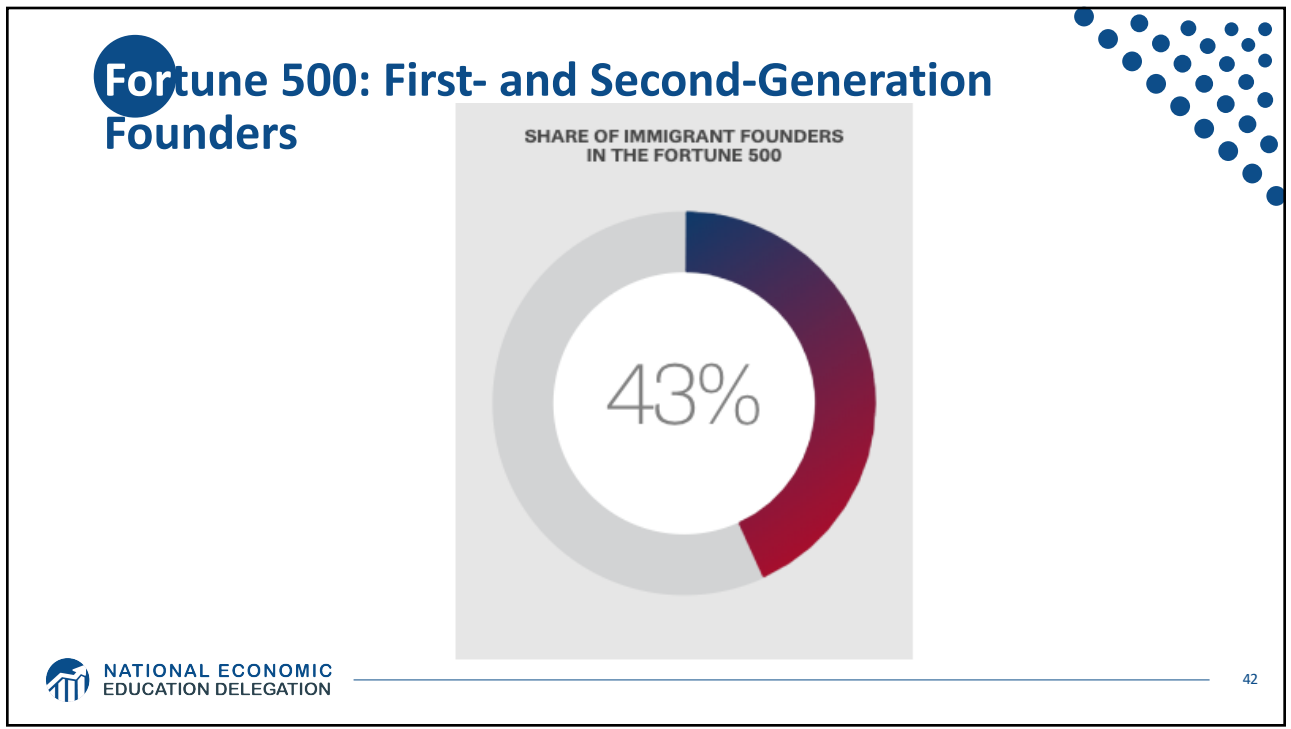
- **1% increase in the share of the immigrant college graduate population**
 - 9-18% increase in patenting per capita
 - Increased immigration increases patenting by native-born population

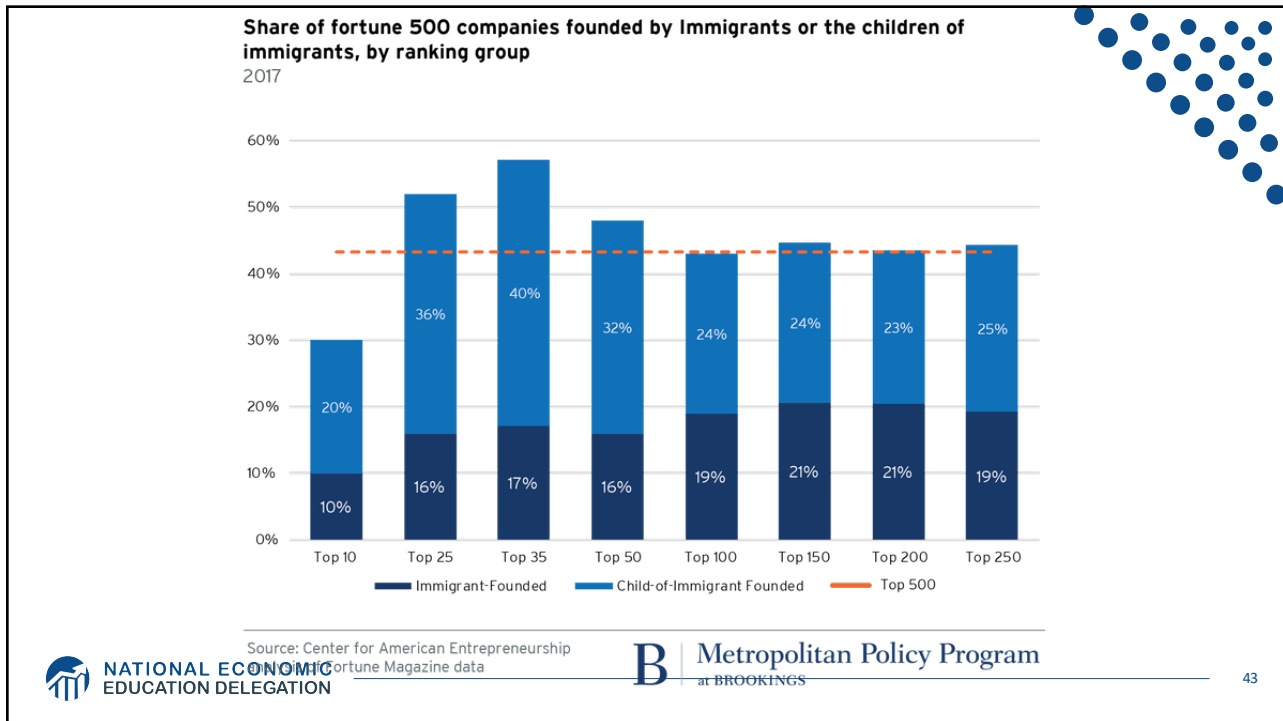
- **In the 1990s**
 - Increased skilled immigration can account for one-third of increased patenting in that decade.
 - This translates into a 1.4-2.5% increase in GDP per capita by the end of the decade.

Immigrants and Entrepreneurship

Self-Employment Rates by Nativity







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Government Revenues and Expenditures

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Taxes and Benefits

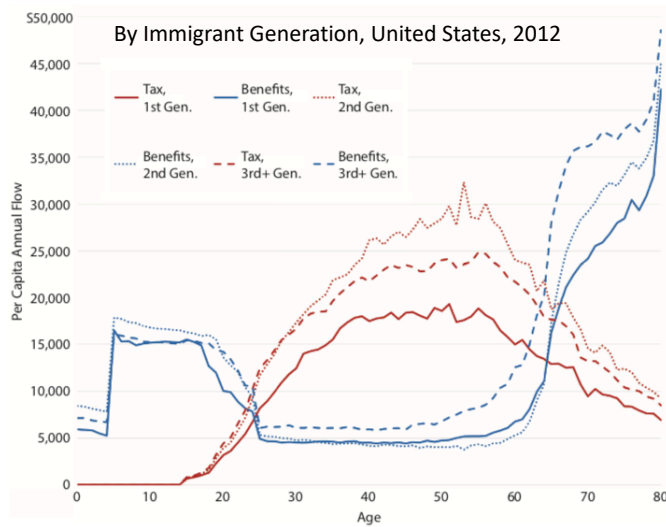
- **Basic Question:**

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

- **More complicated:**

- Immigrants also affect the taxes paid and benefits received for many native-born residents.
 - o Indirectly through labor and capital markets.
 - o 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.**

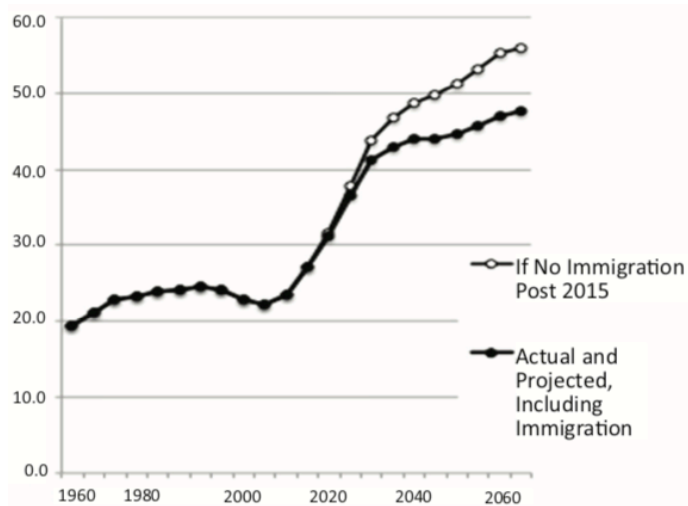


Implications for Major Federal Programs

- 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.


Implications for Social Security

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



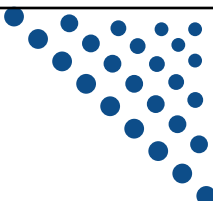


Other Implications of Immigration

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Other 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

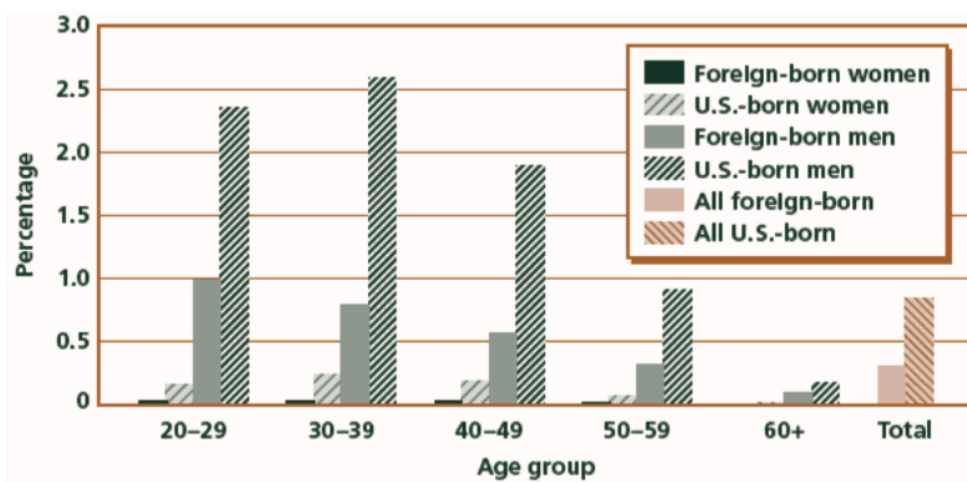
• **Conventional wisdom:**

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

Let's Have a Look!

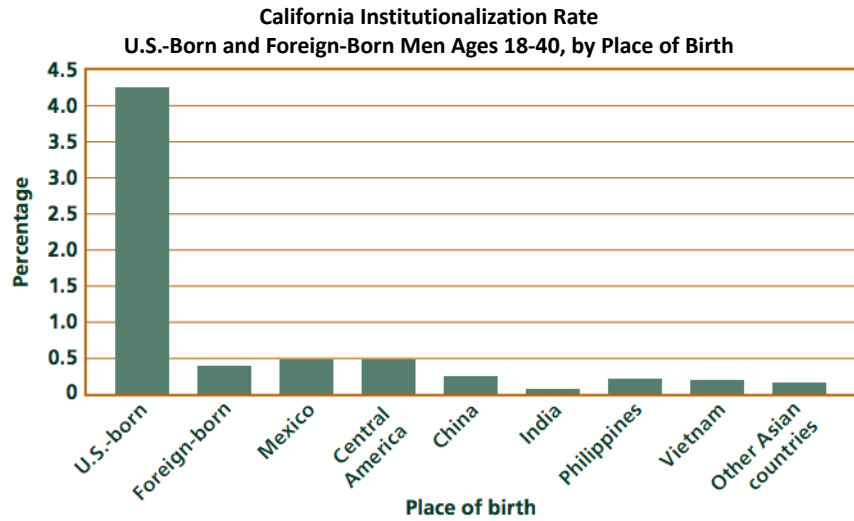
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Crime: Incarceration Rates in California

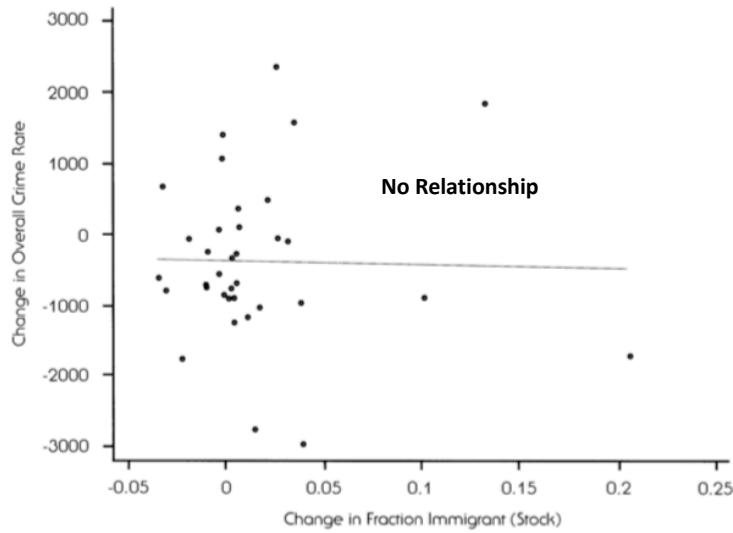


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Crime: Incarceration Rates in California



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 do not have higher 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;
 - 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.



Thank you!

Any Questions?

www.NEEDelegation.org

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