



# The Economics of Immigration

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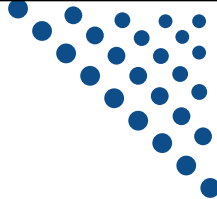
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## National Economic Education Delegation

- **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: 600+ 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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## Credits and Disclaimer

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

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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?
- Some data on immigration
- Economics of immigration



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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, family unification.
- **Uneven development:**
  - Disparities in income, standards of living, and the availability of jobs within and across societies.



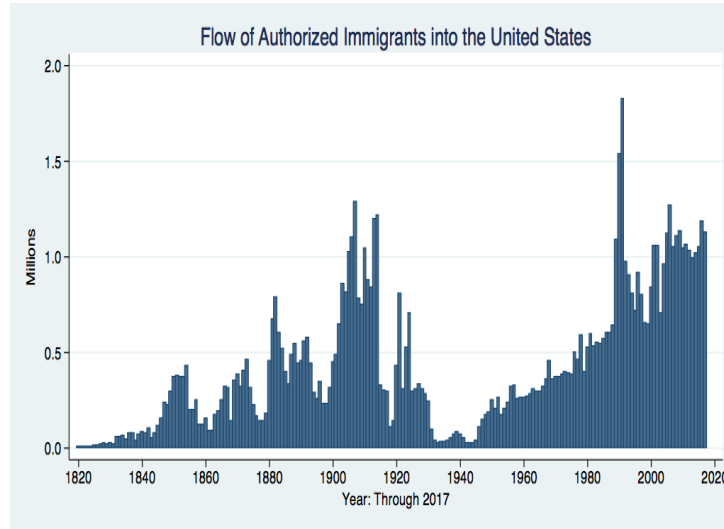
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Source: Gilder Lehrman Institute of American History.

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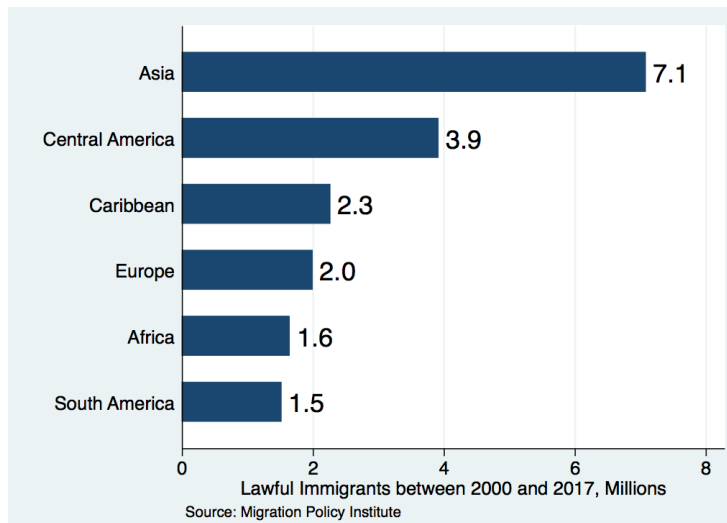
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# Historical Trends in Authorized Immigration

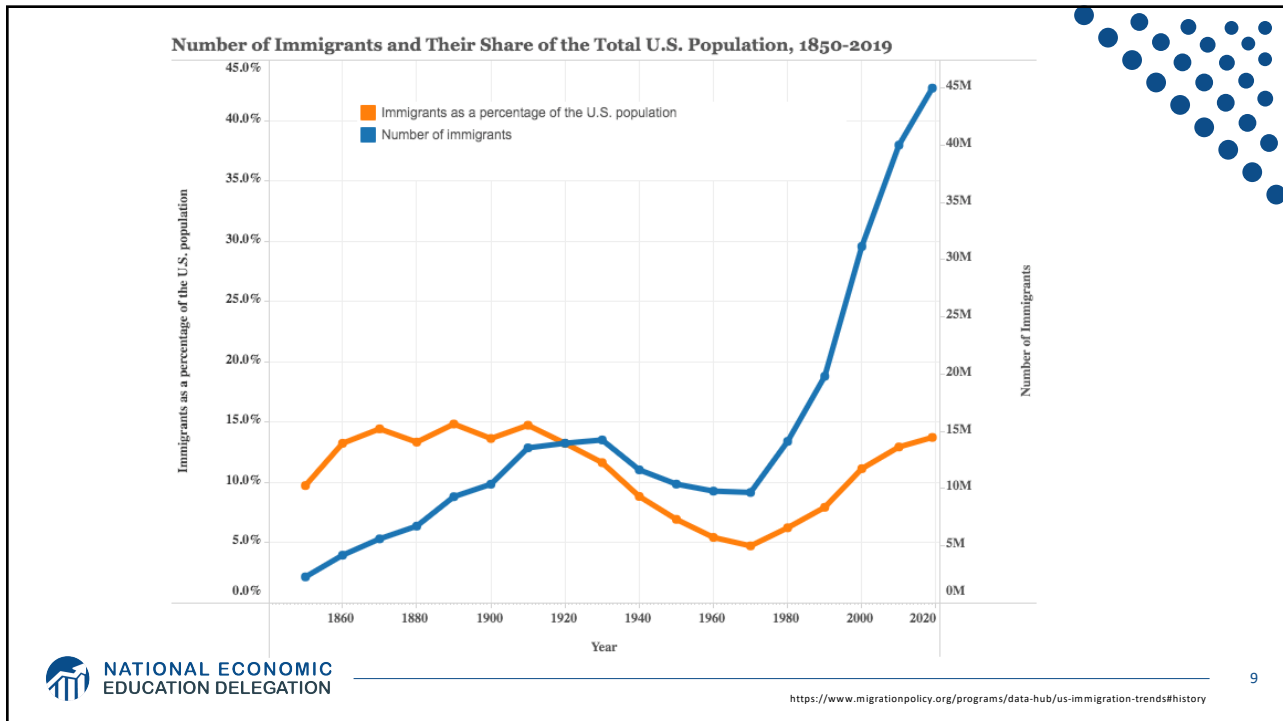


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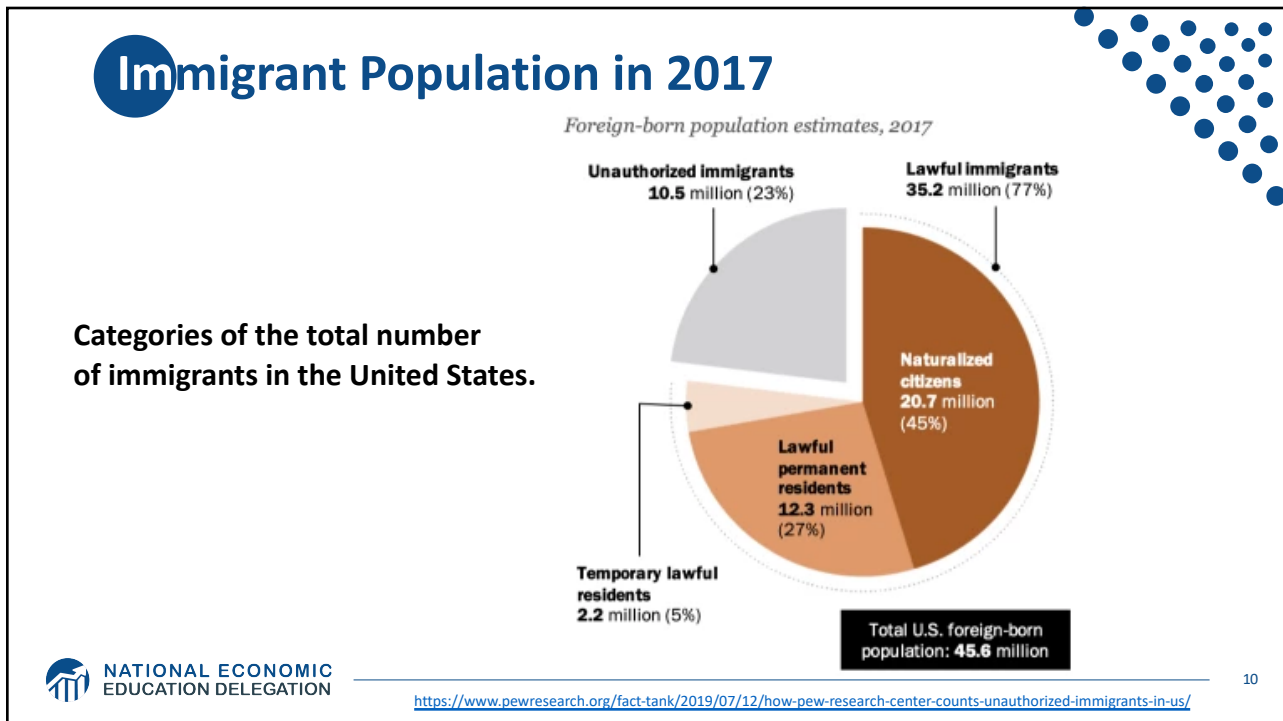
# Authorized Immigration by Region



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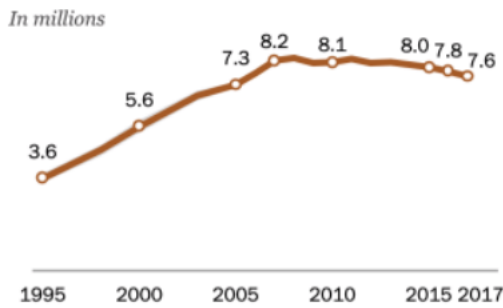
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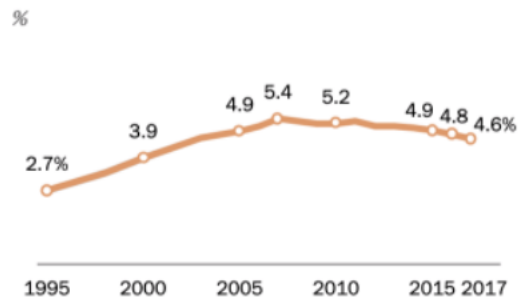
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# U.S. Unauthorized Immigration: Labor Force

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

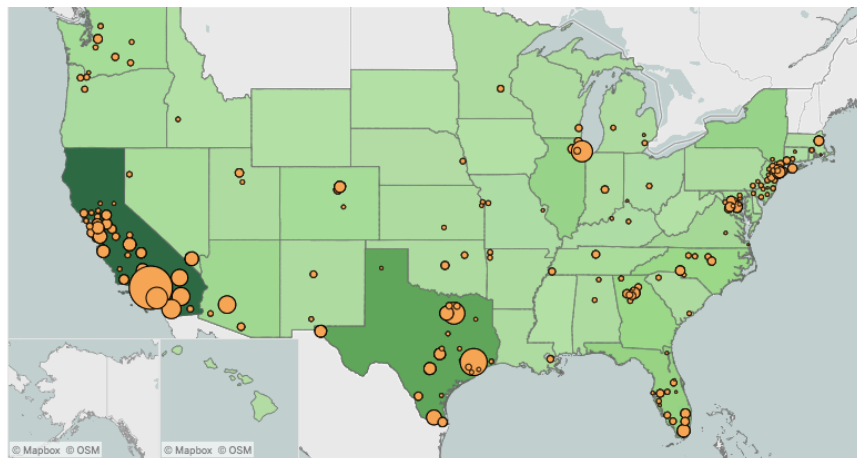


**Unauthorized immigrants decline as a share of the U.S. labor force**



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# Unauthorized Immigration: 2012-2016



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## Why Do We Care? Economic Implications

- GDP
- Labor markets
- Government revenue and spending
- Crime



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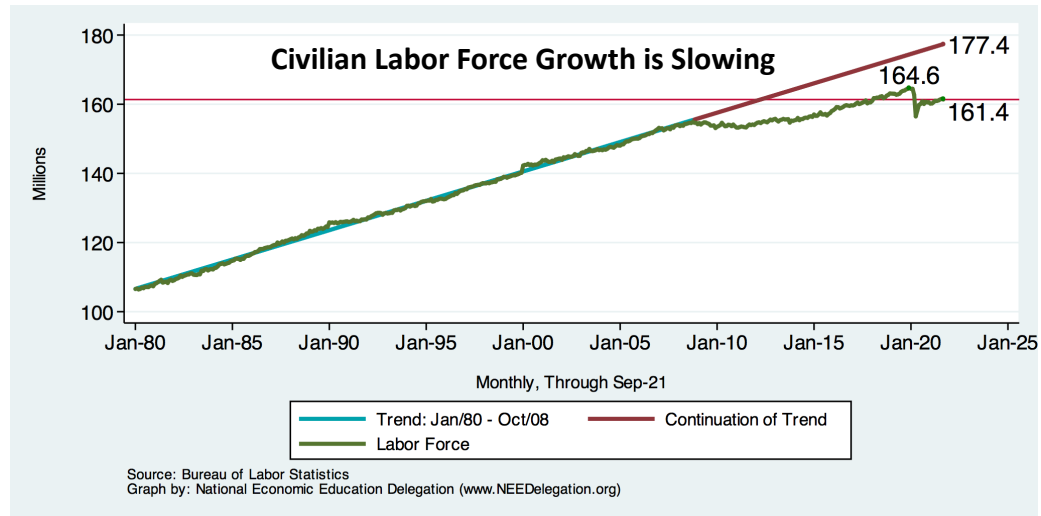
## GDP: How Does This Work?

- **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 (little less than 5% unauthorized)
- **Evidence**
  - Immigrants added 11% to GDP (\$2 trillion) in 2016.



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## Immigration: One Way to Grow the Labor Force



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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.

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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
  - Immigration surplus?
  - increases immigration surplus!
  - increases immigration surplus!
- **In the long-run: Brings capital market implications**
  - Expansion of capital stock through increased investments in equipment etc.



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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**
  - **Expanded opportunities** may restore wages of harmed native-born workers.
  - **Lower prices** in some areas will restore purchasing-power of harmed workers and others.
  - Inflows of other types of labor and capital may **return the economy to its pre-immigration wage structure and production patterns.**
- **Note: Repeated short run shocks can make the medium and long run look like the short run.**



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## Consensus among Economists

- 97% of economists agree - or agree with provisos - that immigration generally has a net positive economic effect for the US economy.
- 64% of economists DISAGREE with the statement that easing restrictions on immigration will depress the average wage rate in the US.

Geide-Stevenson, LaParraPerez, (2021)

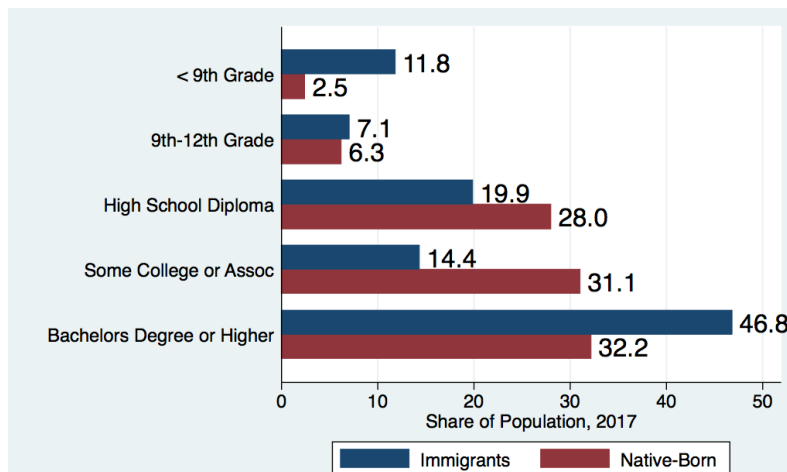


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## Recent Immigrants Are Less and More Educated



Source: Migration Policy Institute  
Authorized immigration between 2013-2017



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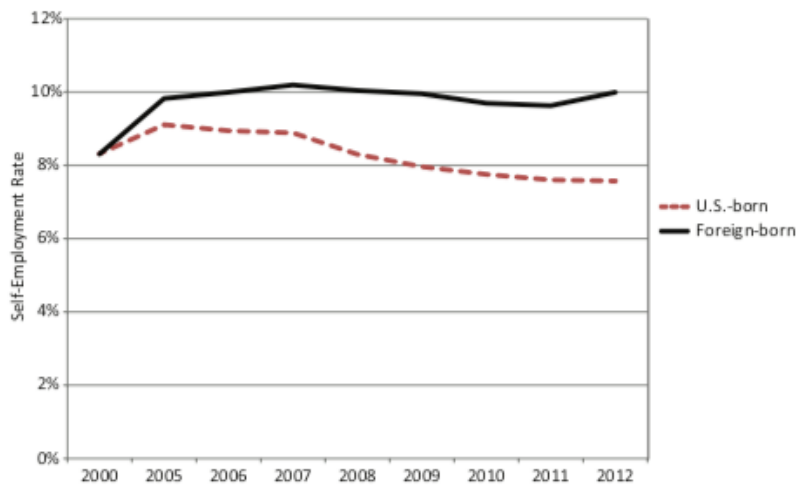
## Skilled Immigrants and Innovation

- **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 accounted 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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## Immigrants and Entrepreneurship

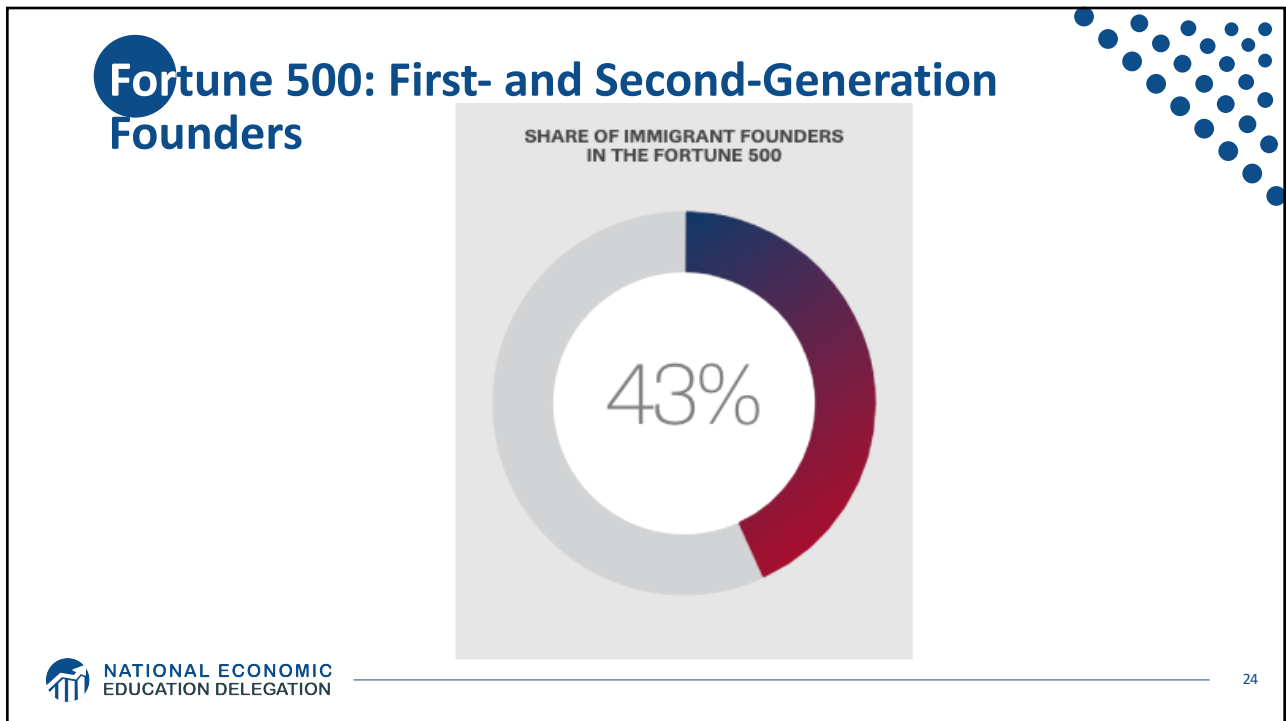
Self-Employment Rates by Nativity



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## Two Ways to Enter

- **Permanent status**

- Current policy is trying to minimize this – unauthorized, in particular.
- Much is spent to reduce it. More than all other Federal law enforcement programs.

- **Temporary work authorization**

- No effort to reduce this. Monitoring and enforcement budgets are small.

- **Implications:**

- Permanent status gives workers freedoms.
- Temporary metaphorically handcuffs workers.



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## Government Revenues versus Expenditures

- **Basic Question:**

- What are the 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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## 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



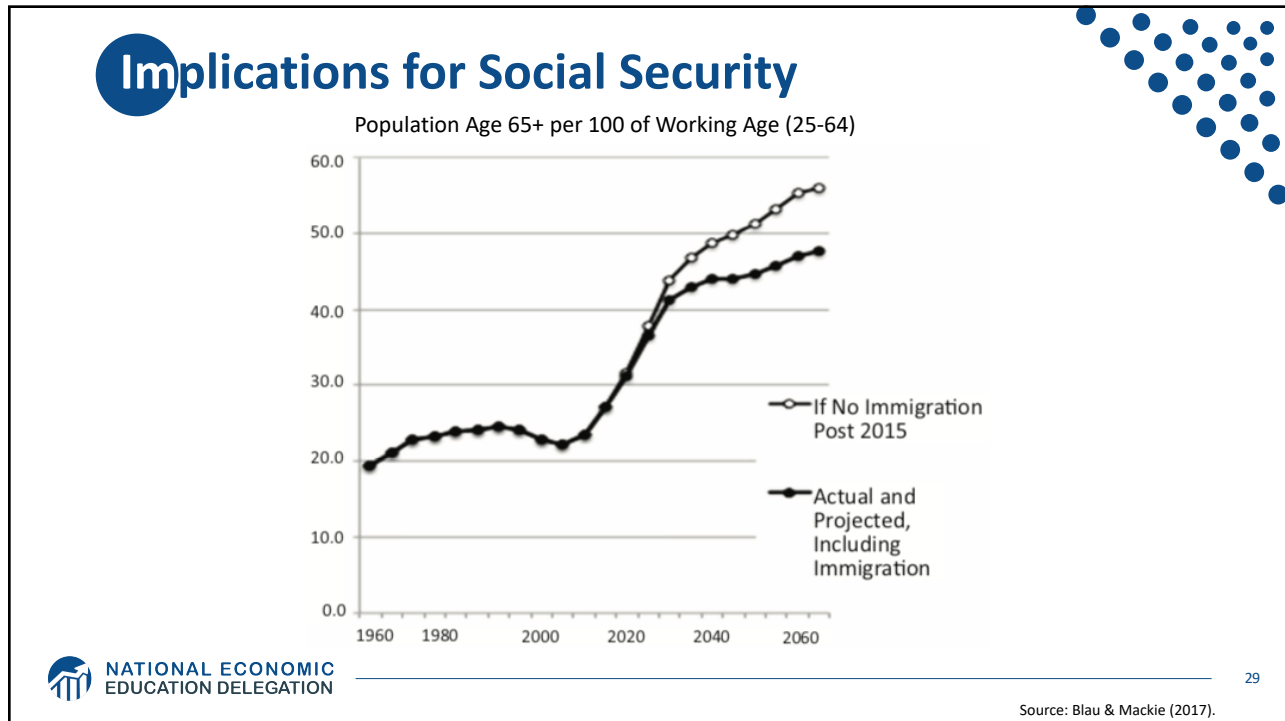
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## Implications for Major Federal Programs

- **Documented immigrants are less likely to use Social Security and Medicare.**
- **Unauthorized immigrants are ineligible.**
  - They will (may) 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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## Bottom Line/Consensus of Estimates

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

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# Immigrants and Crime Rates

## • Conventional wisdom:

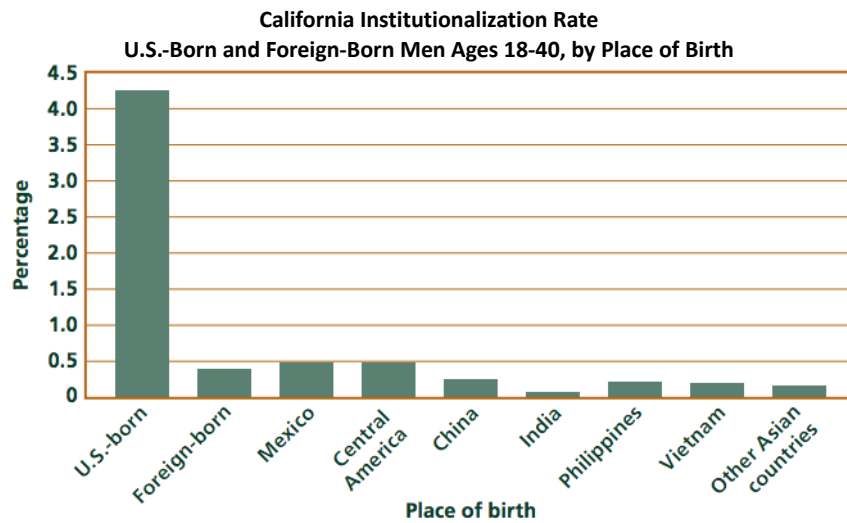
- Immigrants commit crimes more frequently than do native born residents.
- Rising immigration leads to rising crime.

## • 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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# Crime: Incarceration Rates in California



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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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## 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.

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**Thank you!**

## Any Questions?

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