

# *Osher Lifelong Learning Institute, Summer 2023*

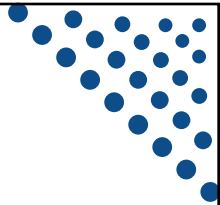
## **Contemporary Economic Policy**

University of Pittsburgh  
May-June, 2023

Host: Jon Haveman, Ph.D.  
National Economic Education Delegation



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## **Available NEED Topics Include:**

- US Economy
- Healthcare Economics
- 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
- Healthcare Economics



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## Course Outline

- **Contemporary Economic Policy**

- ~~Week 1 (5/17): US Economic Update (Jon Haveman, NEED)~~
- Week 1 (5/24): US Economic Update (Geoffrey Woglom, Amherst College)
- Week 2 (5/31): Federal Debt (Brian Peterson, Lagrange College)
- **Week 3 (6/7): Economics of Immigration (Jon Haveman, NEED)**
- Week 4 (6/14): Economic Mobility (Jon Haveman)
- Week 5 (6/21): The Gender Wage Gap (Jon Haveman)




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## Submitting Questions

- **Please submit questions of clarification in the chat.**
  - I will try to handle them as they come up.
- **We will do a verbal Q&A once the material has been presented.**
- **Slides will be available from the NEED website tomorrow ([https://needecon.org/delivered\\_presentations.php](https://needecon.org/delivered_presentations.php))**





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# The Economics of Immigration

Jon Haveman, Ph.D.  
NEED




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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.



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## Why Do People Migrate?

- **Push factors:**

- Disparities in income/standards of living, and the availability of jobs, violence, climate change, population pressures, economic dislocation, religious persecution, or denial of political rights.

- **Pull factors:**

- Potential for prosperity (higher wages, job opportunities), physical security, and political or religious liberty.



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## Recent Push Factors from Central America

- Hurricane Mitch in Honduras and Nicaragua in 1998.
- Two massive earthquakes in El Salvador in 2001.
- Prolonged droughts in El Salvador and Guatemala in 2013-14.
- Very high level of violence and crime and continued political instability — especially in El Salvador, Guatemala and Honduras.
- All have contributed to large emigration from the region.



## 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.

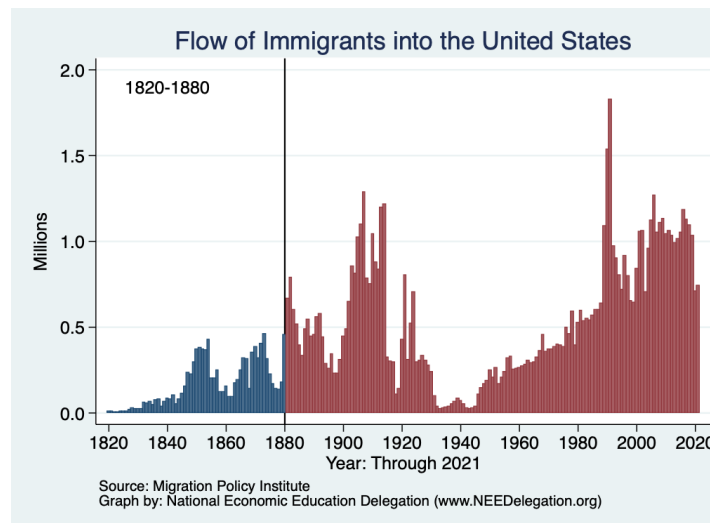


# History of US Immigration

Source Regions	Pre-1790	Source Regions	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

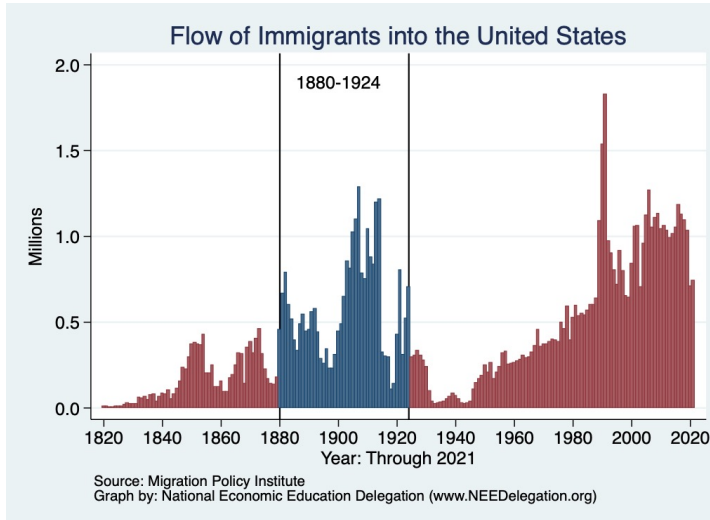
\* Slave trade and clearly not voluntary or reflective of standard motivations for immigration.

# 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

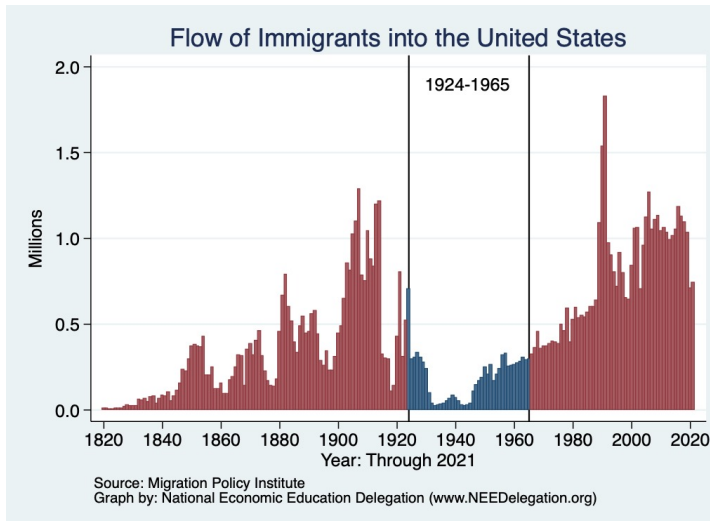
# History of US Immigration



Source Countries	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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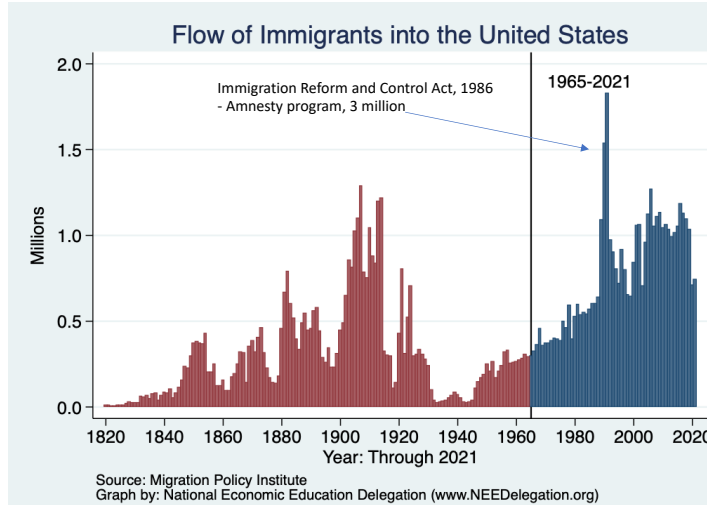
# History of US Immigration



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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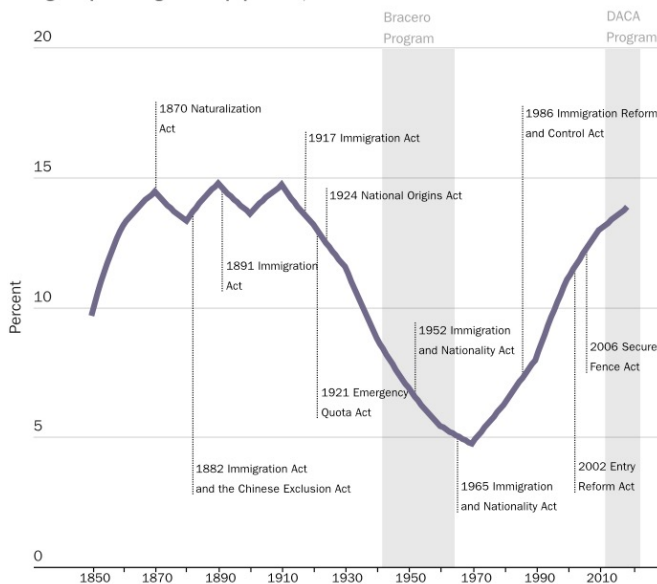
# History of US Immigration: 1965-2021



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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## Immigrant percentage of the population, 1850-2019



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Immigration policy had a big impact on:

- Volumes of immigrants
- Source countries



## History of US Immigration: 2011-2020

Sources (top 9)	2011-2020
Mexico	1,491,000
China	721,000
India	637,000
Philippines	505,000
Dominican Rep.	487,000
Cuba	473,000
Vietnam	334,000
El Salvador	215,000
South Korea	199,000
Jamaica	198,000

Total immigrant inflow, 2011-2020 = 10,125,000

US population growth, 2011-2020 = 22,700,000

Typical year during decade...

- US population increased by 2.27 million (0.74%)
- Native births contributed approx. 1.35 million (0.44%)
- Immigration contributed approx. 920,000 (0.30%)



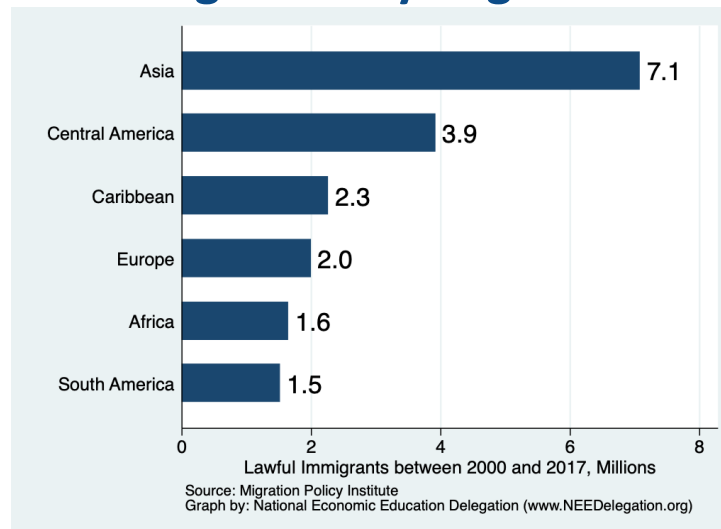
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Sources: UN Population Division (2010 and 2020 immigrant stocks), US DHS (2010-2020 immigrant inflows), US Census (population values).

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## Authorized Immigration by Region

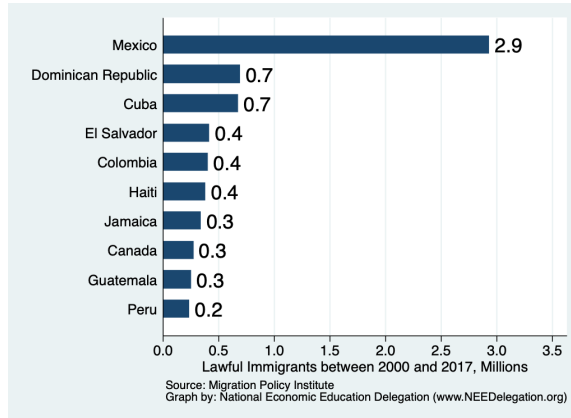
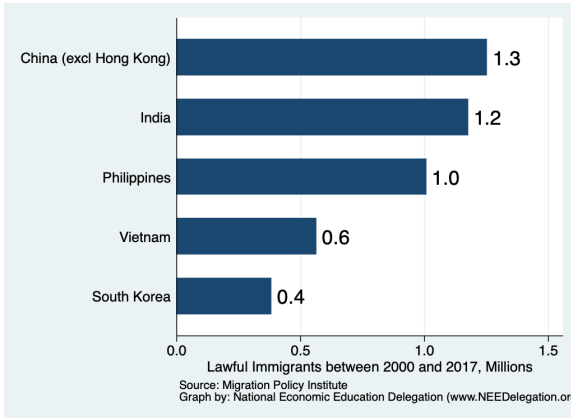


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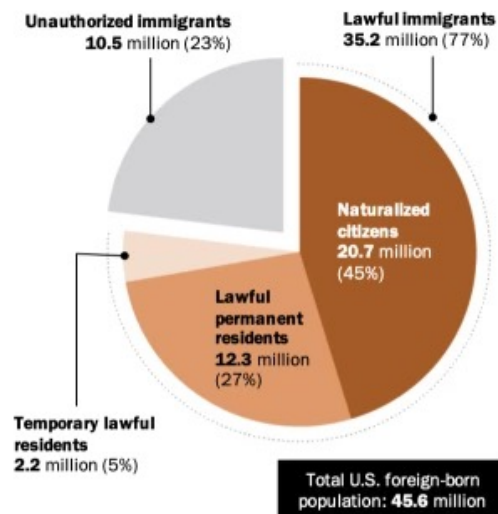
## Authorized Immigration by Source Country



## Immigrant Population in 2017

Foreign-born population estimates, 2017

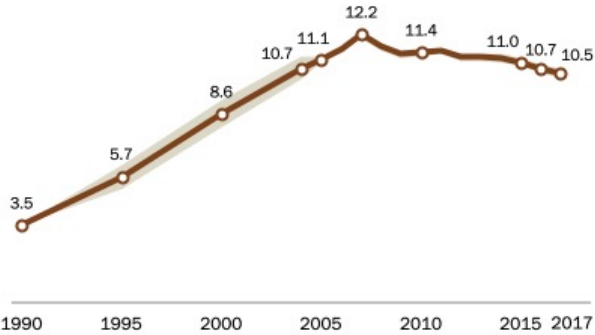
Categories of the total number of immigrants in the United States.



# 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.

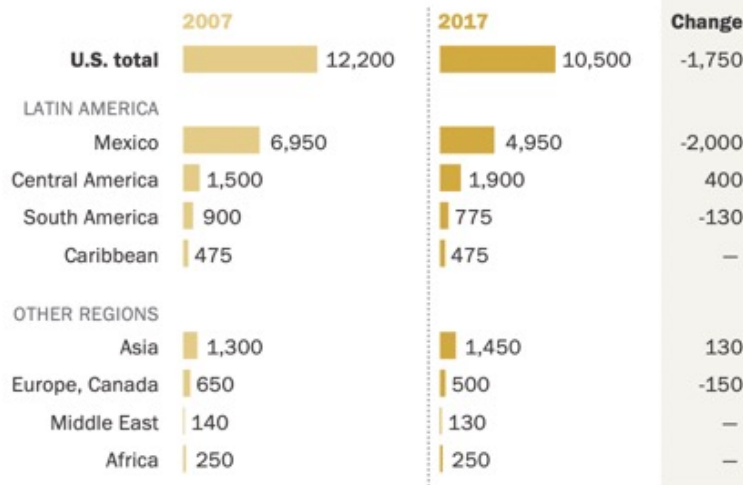
PEW RESEARCH CENTER



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

# Recent Declines in the Unauthorized Population

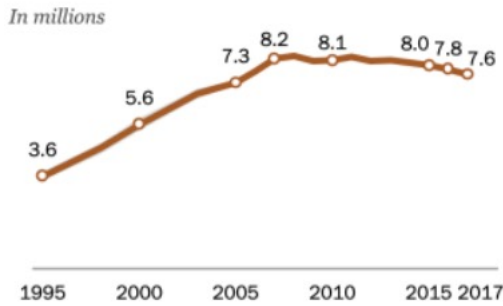
In thousands



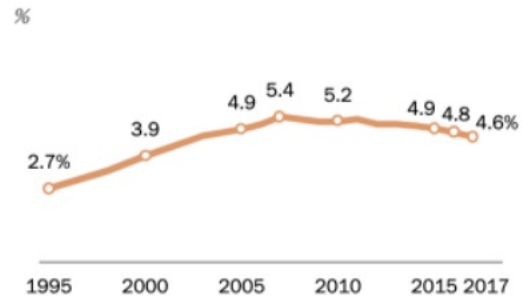
Source: Pew Research Center, 5 facts about illegal immigration in the U.S., APRIL 13, 2021

# 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**

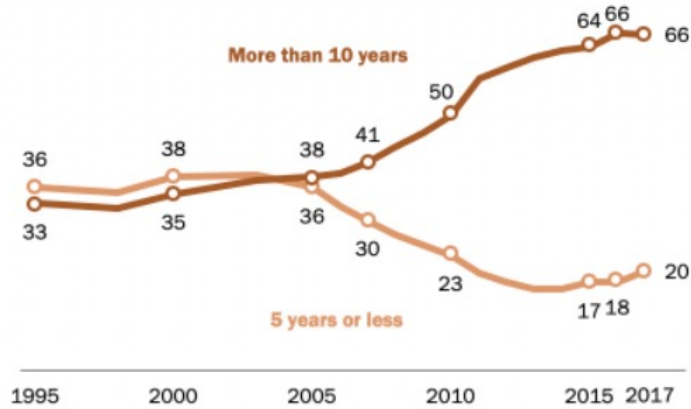


Pew Research Center, 5 facts about illegal immigration in the U.S., June 12, 2019

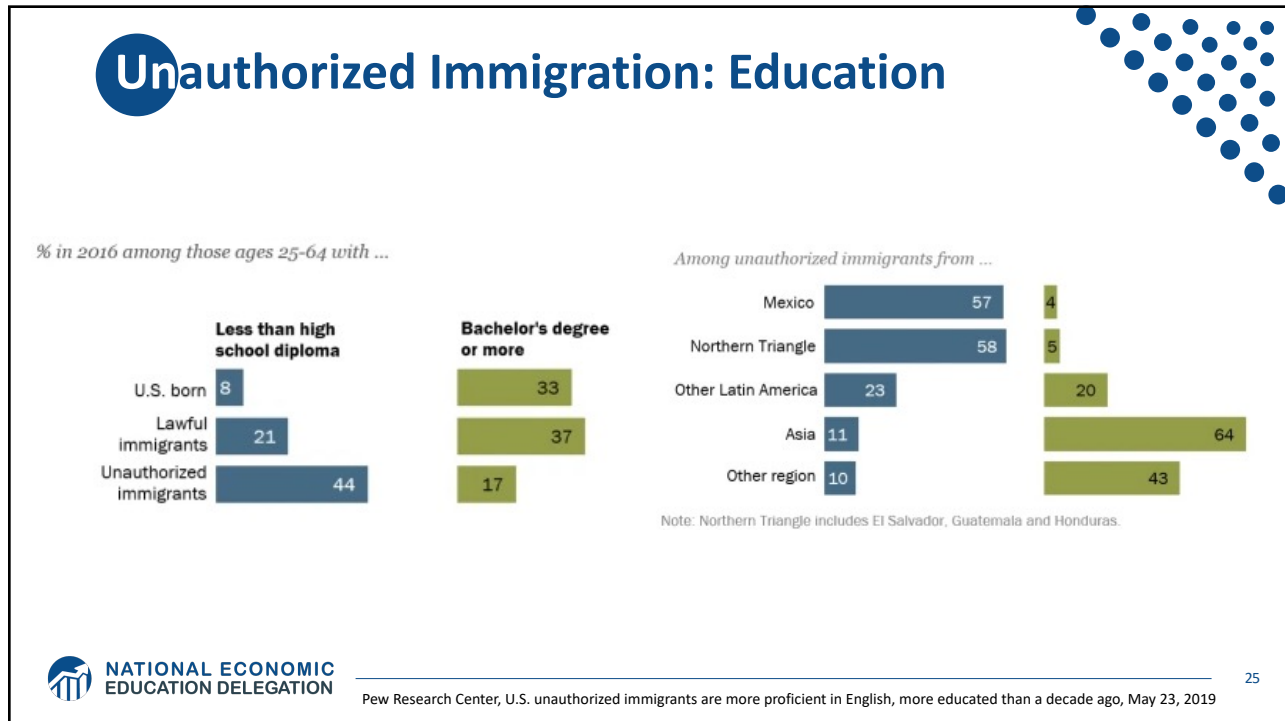
# US Unauthorized Immigration: Duration

**Short-term residents decline and long-term residents rise as share of U.S. unauthorized immigrants**

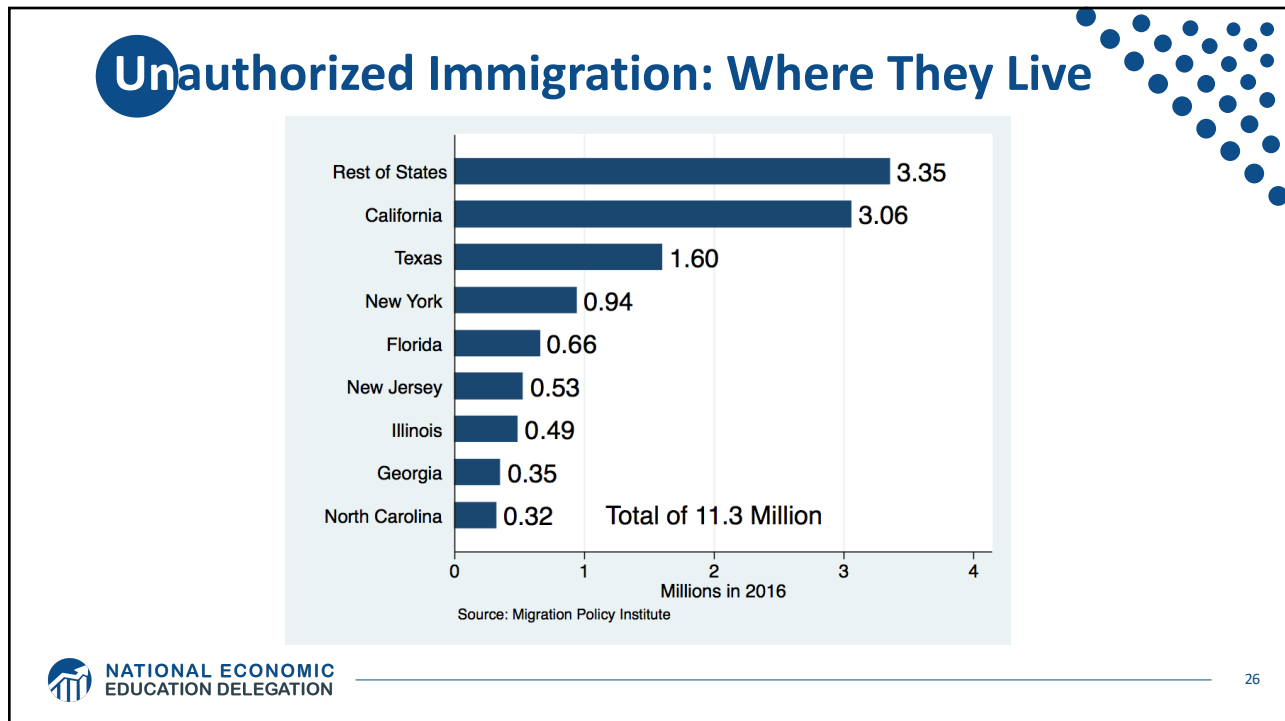
*% of adult unauthorized immigrants, by duration of U.S. residence*



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

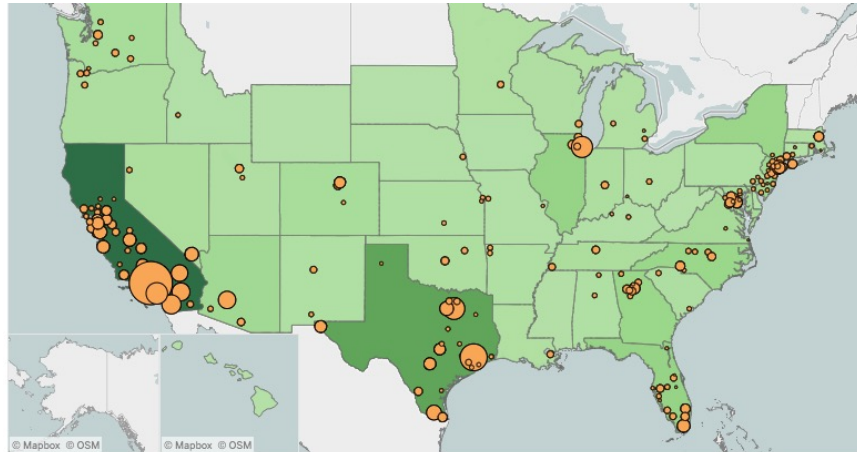


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## Unauthorized Immigration: 2012-2016



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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
<b>All countries</b>	<b>515</b>	<b>All countries</b>	<b>320</b>	<b>All countries</b>	<b>190</b>
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.

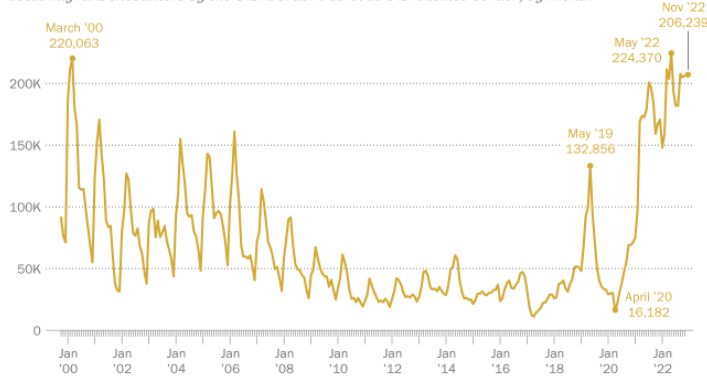
Source: Center for Migration Studies.

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# What's Happening at the Border?

## Monthly migrant encounters at U.S.-Mexico border are near record highs

Total migrant encounters by the U.S. Border Patrol at U.S.-Mexico border, by month



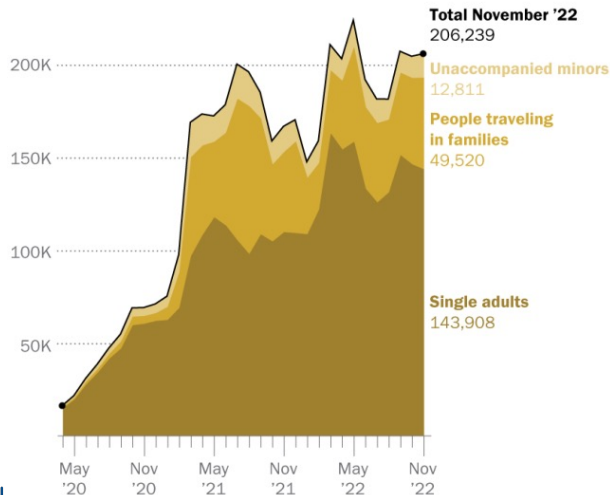
Note: Beginning in March 2020, monthly totals combine apprehensions and expulsions into a new category known as encounters. Monthly totals before March 2020 include apprehensions only.  
Source: U.S. Customs and Border Protection.

PEW RESEARCH CENTER



# Most Are Single Adults

Monthly migrant encounters by U.S. Border Patrol at U.S.-Mexico border involving ...

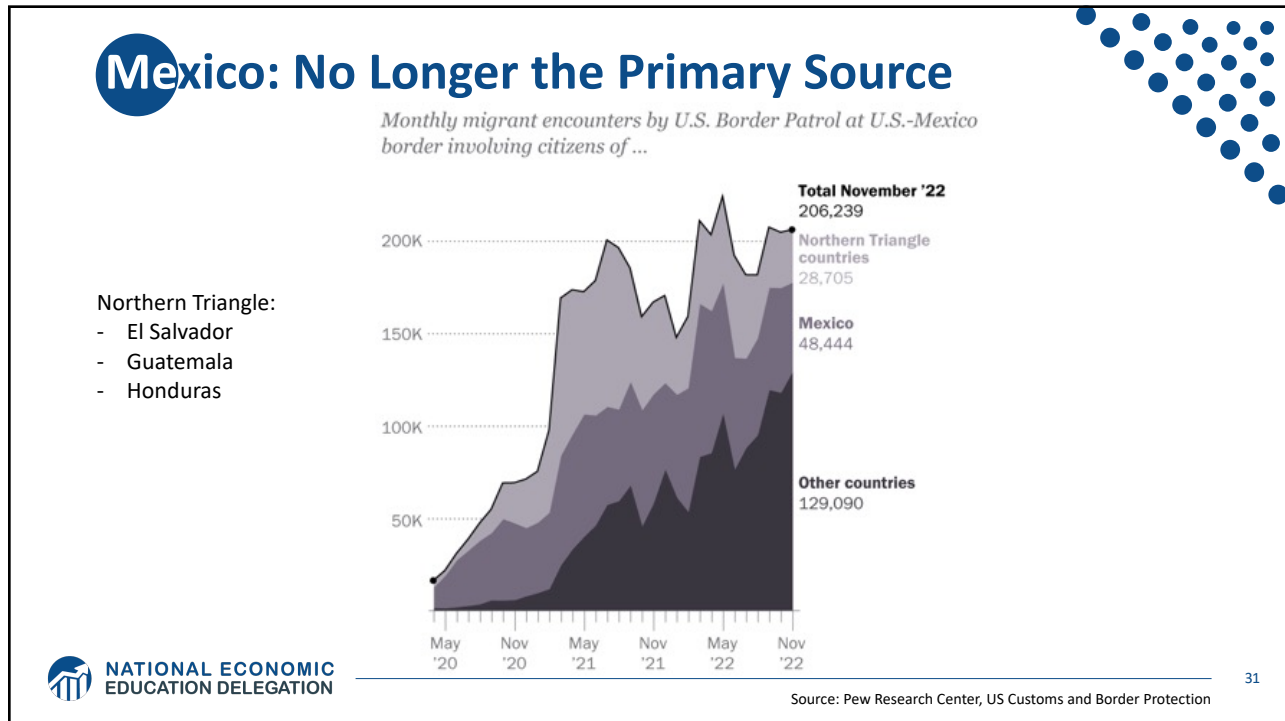


### Evidence suggests:

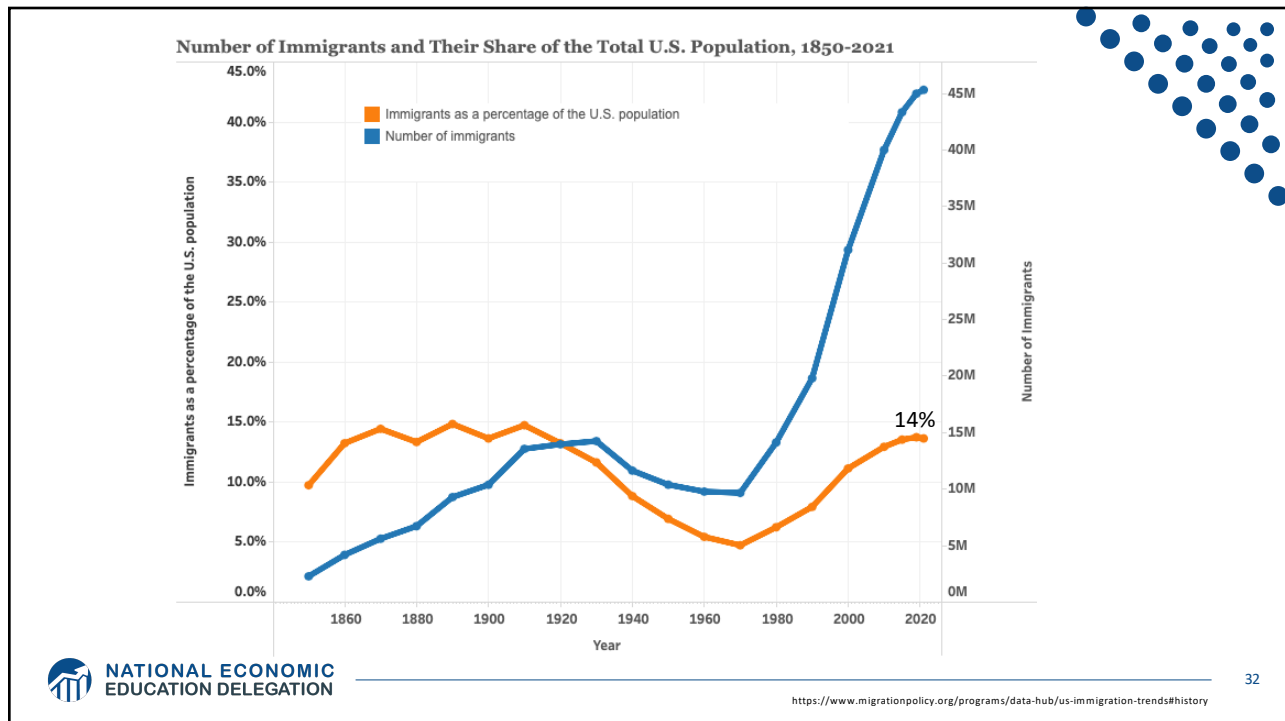
- Most unaccompanied minors are coming to join family members who are already here.
- The population of minors in the U.S. without a parent has not increased.



Source: Pew Research Center, US Customs and Border Protection



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## Why Do We Care? Economic Implications

- Gross Domestic Product (GDP)
- Labor markets: Wages and Jobs
- Innovation, Entrepreneurship, and Inequality
- Government Revenue and Spending
- Exports, Imports, and Foreign Direct Investment (FDI)
- Crime



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## GDP, Labor Markets, and Innovation, Entrepreneurship, and Inequality



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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 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: Complicated

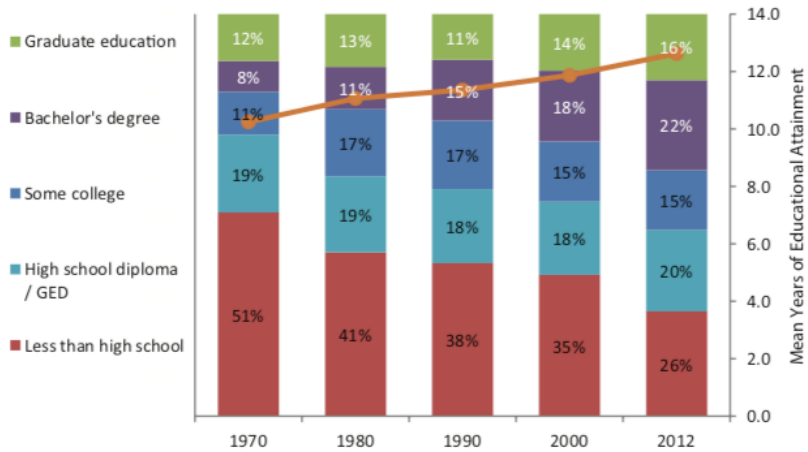
- **Depends on the type of immigrant: Skills/education**
  - Similar to native-born population?
  - Low-skilled?
  - Highly skilled?
- **Brings capital market implications**
  - Low-skilled immigrants – capital supplementing
  - Highly skilled immigrants – capital complementing



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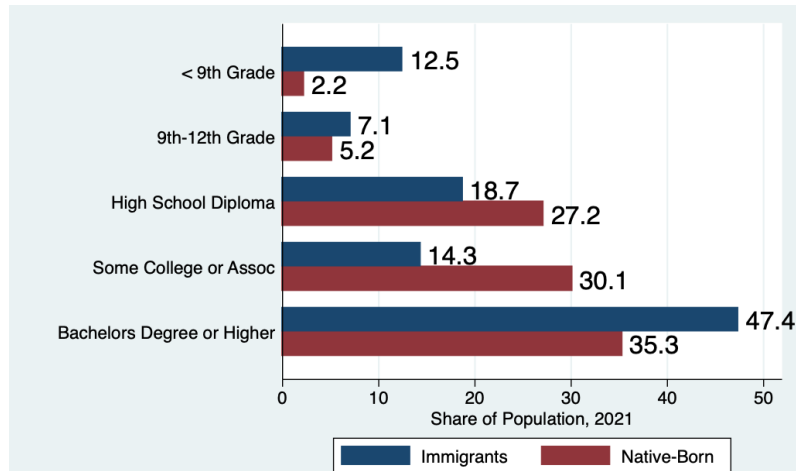
# Pattern of Immigration

Educational Attainment of Recent Immigrants – Last 5 Decades



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# Recent Immigrants Are Less and More Educated



Source: Migration Policy Institute  
Authorized immigration between 2016-2021

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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.



## 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
    - o Increases wages in those industries.
  - Each immigrant creates 1.2 local jobs – mostly for native-born workers.



## Pathway of Wage and Employment Effects

Inflows of Low-Skilled Immigrants



Previous Immigrants



Disadvantaged Minorities



Native-born HS Dropouts

Order of Impact

Impact is negative,  
but smaller at  
each step.

Positive influence on wages and employment of other workers.



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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:**

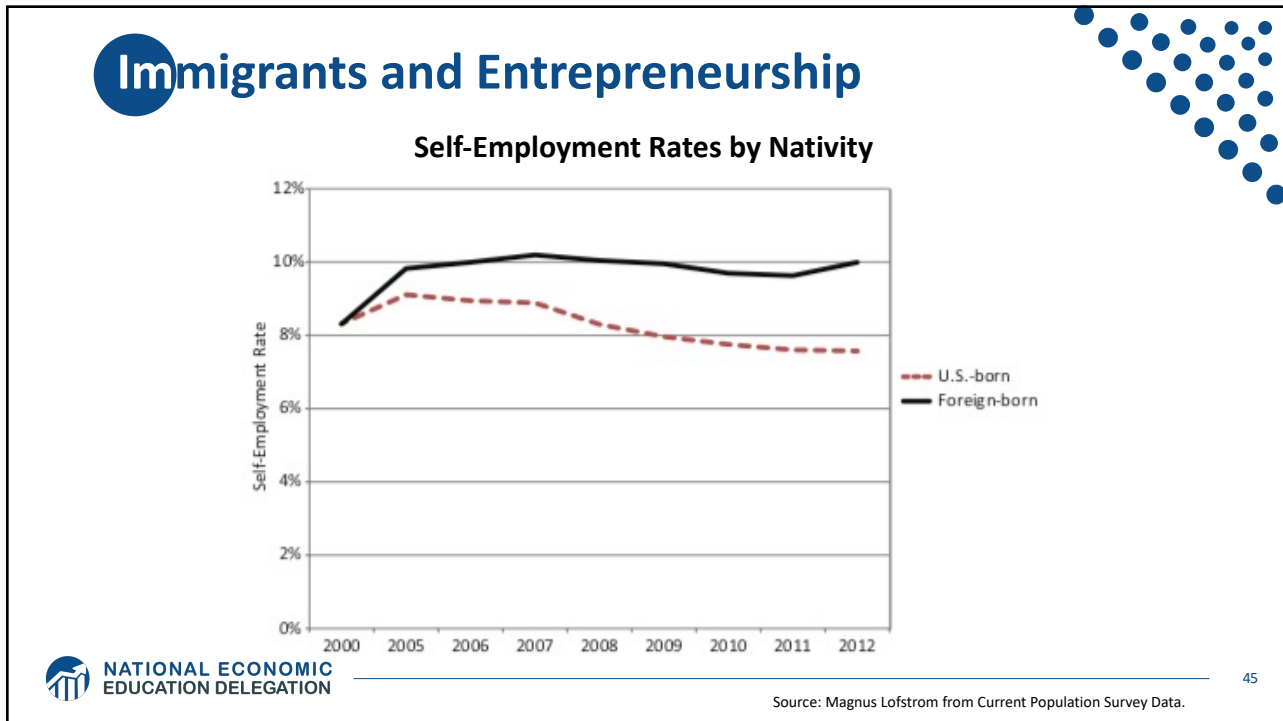
- Increased skilled immigration can account for one-third of increased patenting in that decade.
- This translates into a 1.4-2.5% increase in GDP per capita by the end of the decade.



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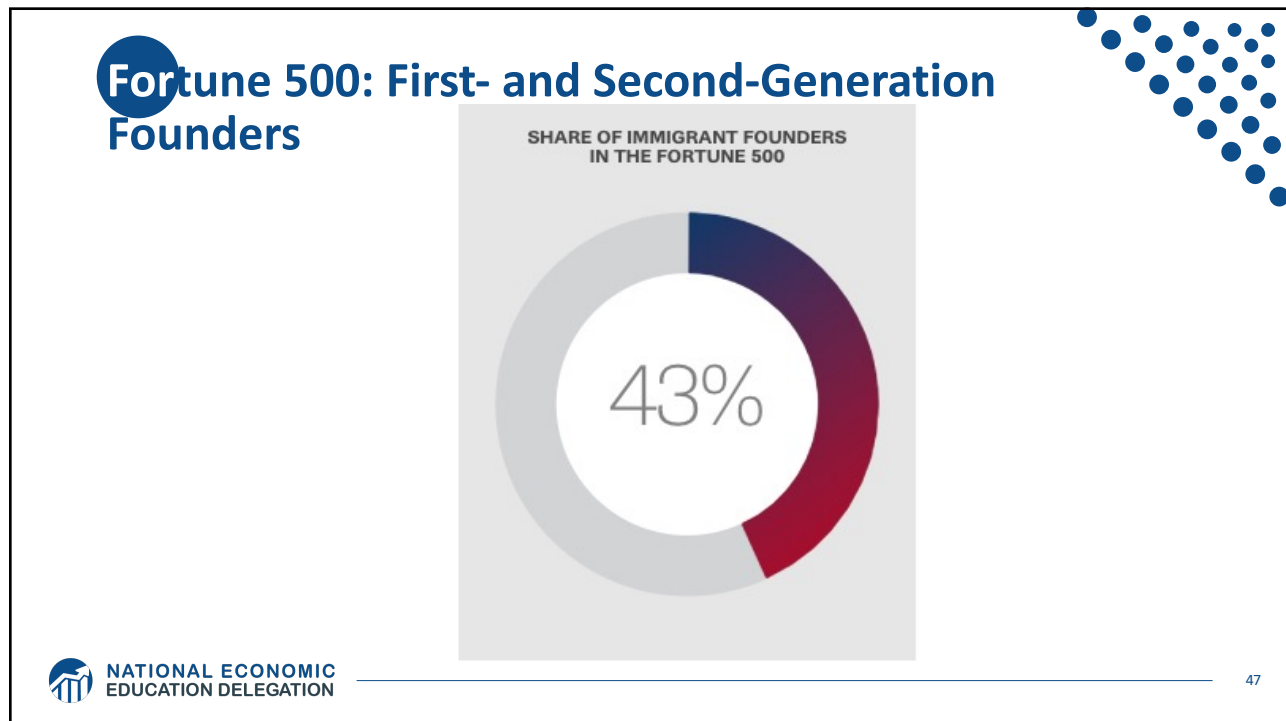
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## Immigration and Inequality

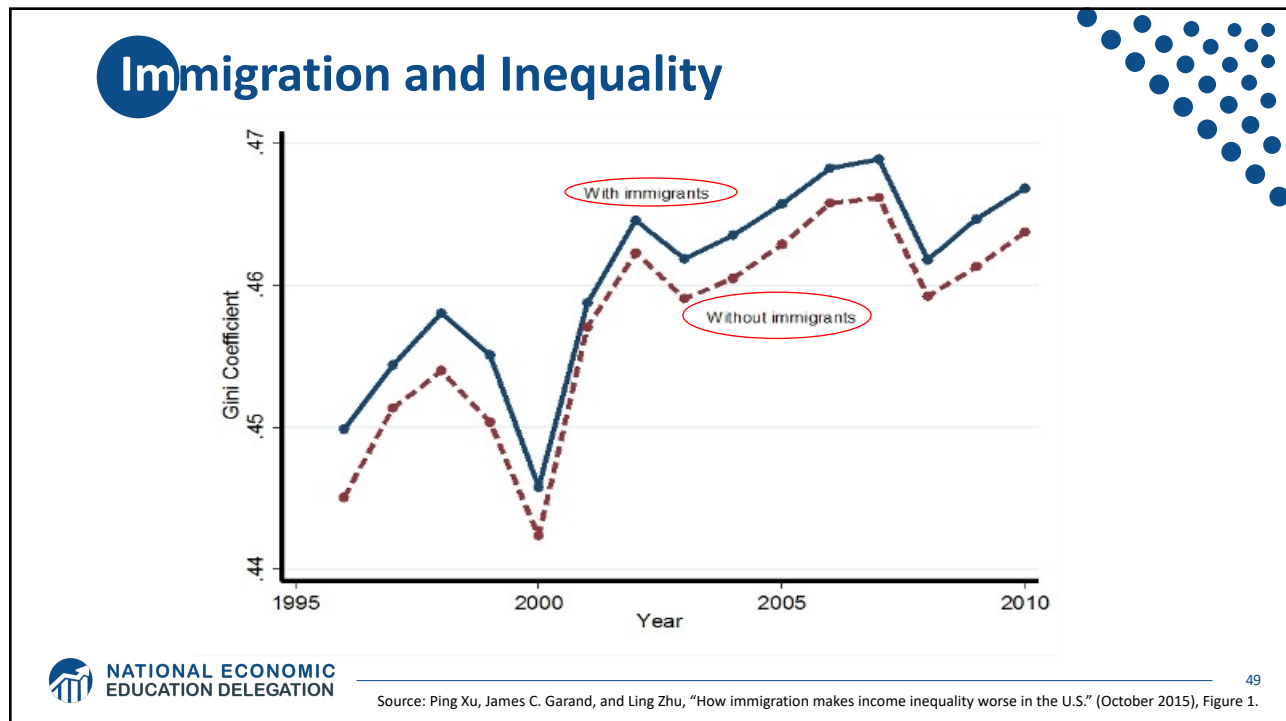
- **Beginning in about 1970, the immigrant share of the US population increased dramatically.**
  - 5% in 1970 and 14% in 2016
- **Compared to the native born, immigrants:**
  - Comprise a larger share of less-educated workers (less than HS diploma)
  - Comprise a larger share of highly educated workers (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.

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## 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
- **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.



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## Price Declines Facilitate Economic Expansion

- **Economic expansion comes from:**
  - Increases in 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 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?

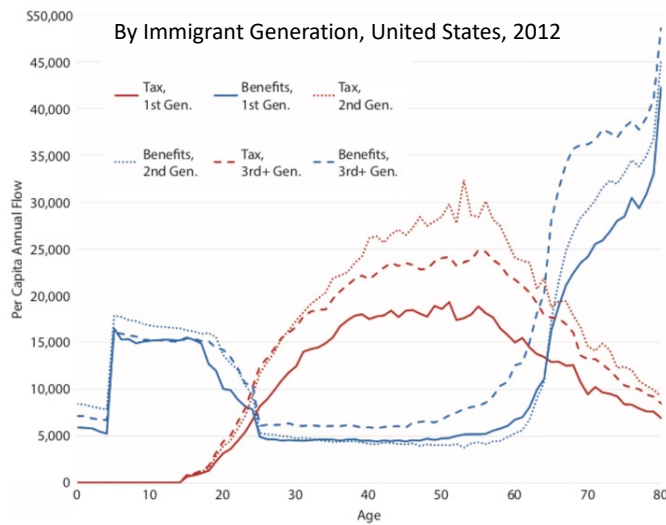
- **Basic Question:**

- 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.

## 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
    - 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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## Bottom Line/Consensus of Estimates

- **FEDERAL level: fiscal impact is generally positive.**
- **STATE AND LOCAL level: typically negative fiscal impact.**
  - Primarily because of the cost of education.



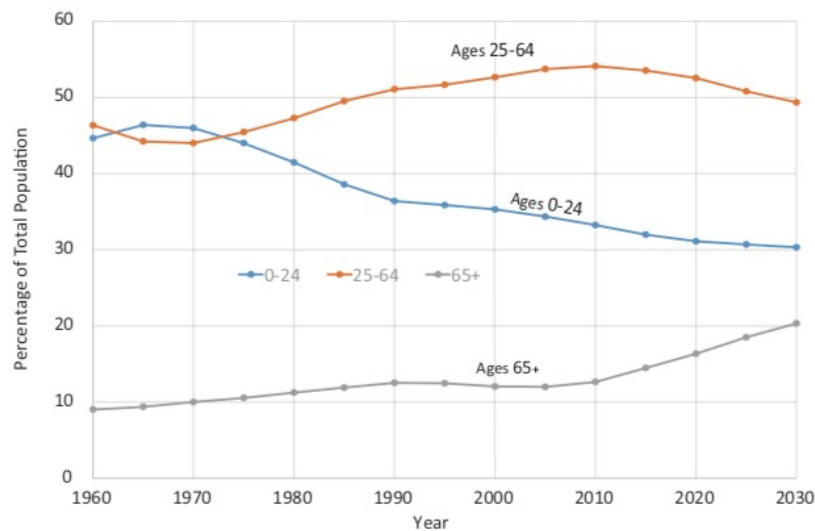
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## Implications for Major Federal Programs

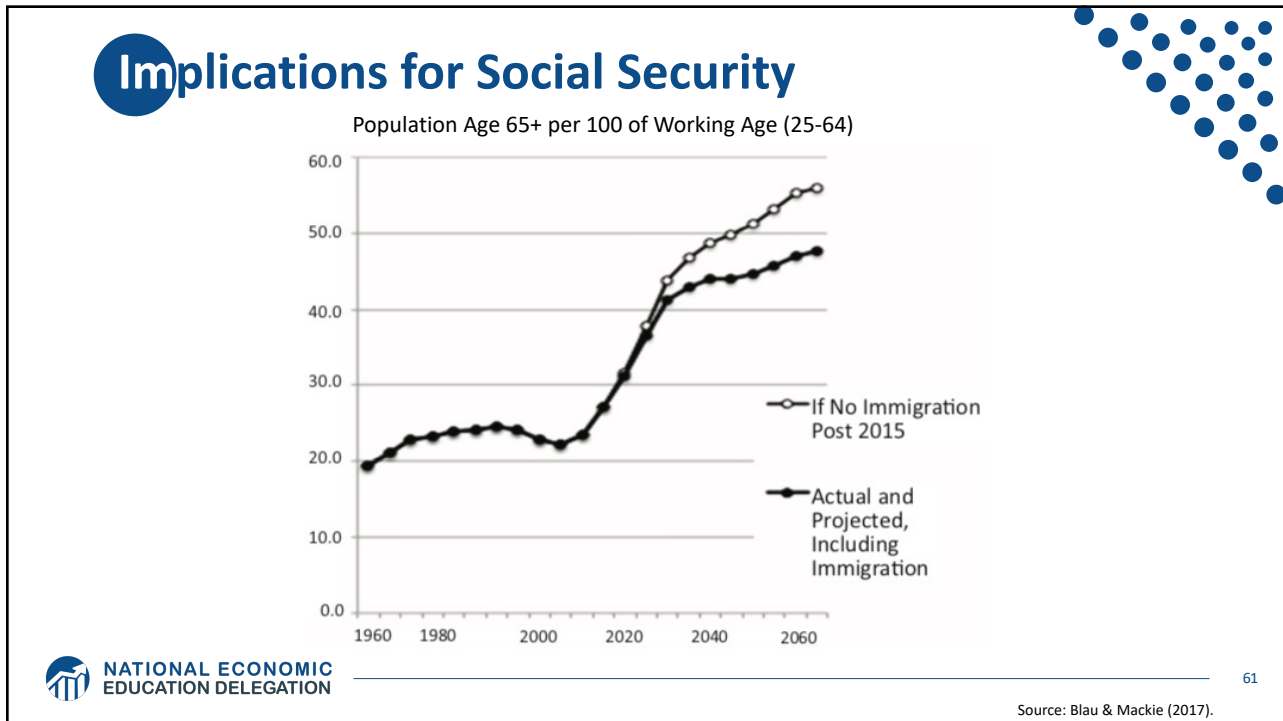
- Documented immigrants are less likely to use Social Security and Medicare.
- Unauthorized immigrants are ineligible.
  - They will pay into the system but cannot receive benefits.
- Medicaid: not available to legal residents for the first five years.
- Provide a source of revenue for an aging population.

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## The Aging US Population



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## Other Implications of Immigration

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## Exports and FDI

- **Flows of goods, services, and investments internationally rely heavily on:**
  - 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.**



## Immigrants and Crime Rates

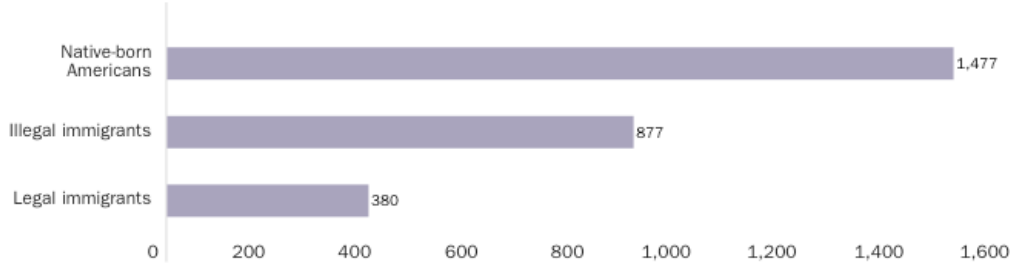
- **Conventional wisdom:**
  - Immigrants commit crimes more frequently than do native-born residents.
  - Rising immigration leads to rising crime.
- **What do the data say?**





## Incarceration by Immigration Status, 2018

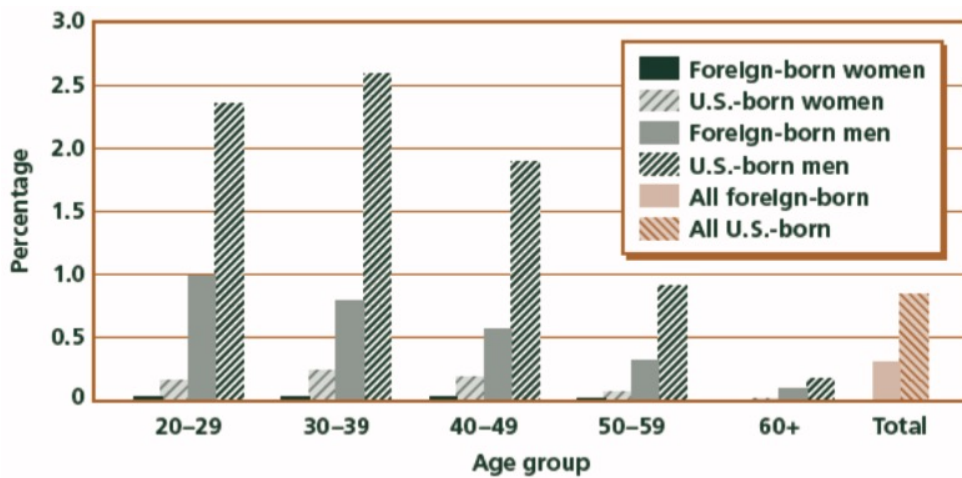
Incarceration rates by immigration status, ages 18–54



Source: Authors' analysis of the American Community Survey data.  
 Note: Rates are per 100,000 residents in each subpopulation.

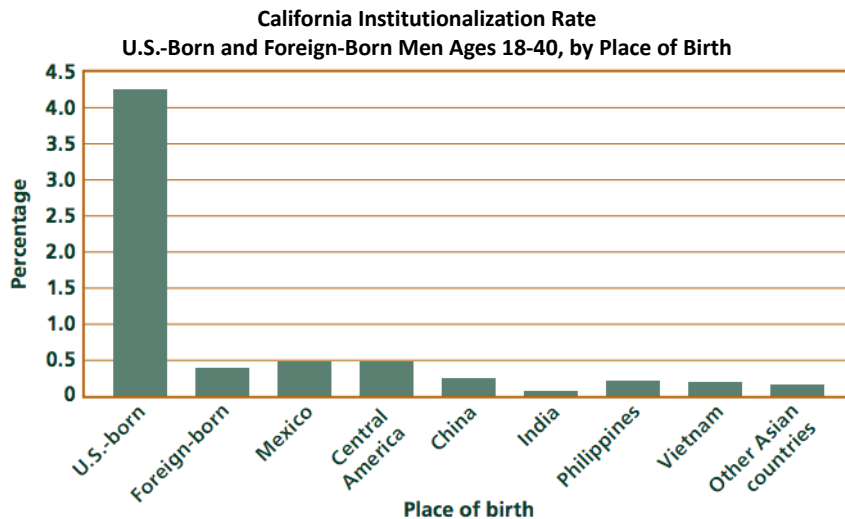
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## Crime: Incarceration Rates in California



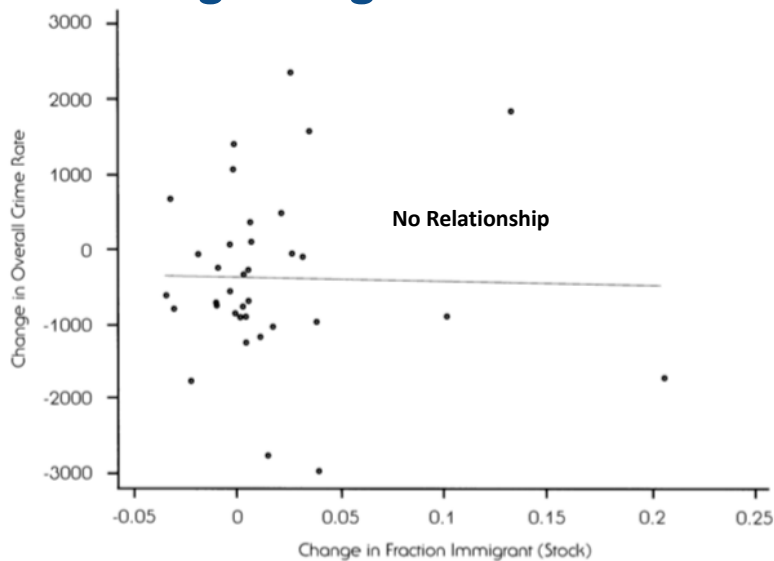
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# Crime: Incarceration Rates in California



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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.



## 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....

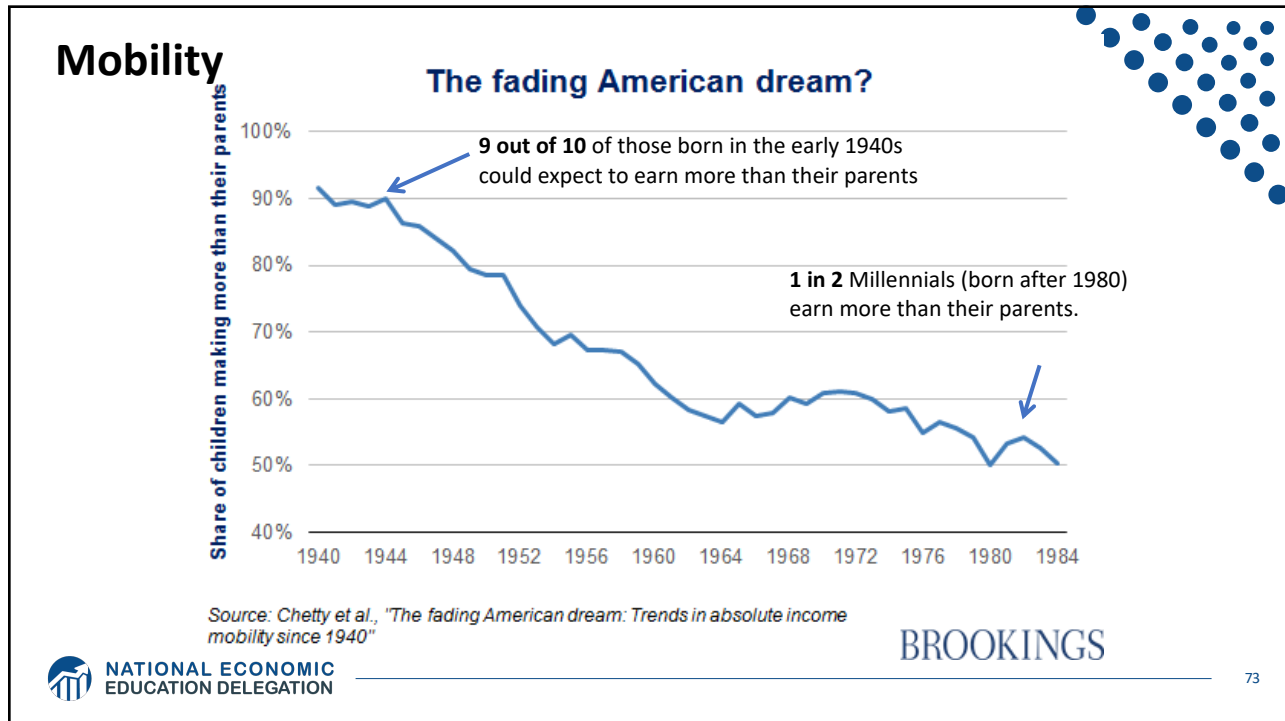
- **Immigrants are often a select group:**
  - Willing to incur an enormous personal or familial cost to better their lives.
- **As a result:**
  - Immigrants tend to commit crimes at low rates.
  - Immigrants tend to be entrepreneurial and to add significantly to economic growth.
- **Although there 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;
    - o when this skill mix changes, so do its effects.
- **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.
- **Crime**
  - Immigrants, both authorized and unauthorized, commit crimes at much lower rates than do native-born residents.





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# Thank you!

## Any Questions?

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