



Osher Lifelong Learning Institute, Fall 2022 **Contemporary Economic Policy Issues**

University of California, Santa Cruz
October 17, 2022

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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
- US Social Policy

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Course Outline

- **Contemporary Economic Policy**

- Week 1 (10/3): Economic Update (Jon Haveman, NEED)
- Week 2 (10/10): Climate Change Economics (Trevor O'Grady)
- **Week 3 (10/17): Economics of Immigration (Roger White, Whittier College)**
- Week 4 (10/24): Autonomous Vehicles (Jon Haveman, NEED)



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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.**
- **OLLI allowing, we can stay beyond the end of class to have further discussion.**
- **Slides will be available from the NEED website tomorrow (https://needelegation.org/delivered_presentations.php)**



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The Economics of Immigration

Roger White, Ph.D.
Embry-Riddle Aeronautical University



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Outline

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

...Break (~10 minutes)...

- 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:**
 - 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 (internal to source):**
 - Disparities in income, standards of living, and the availability of jobs within and across societies.



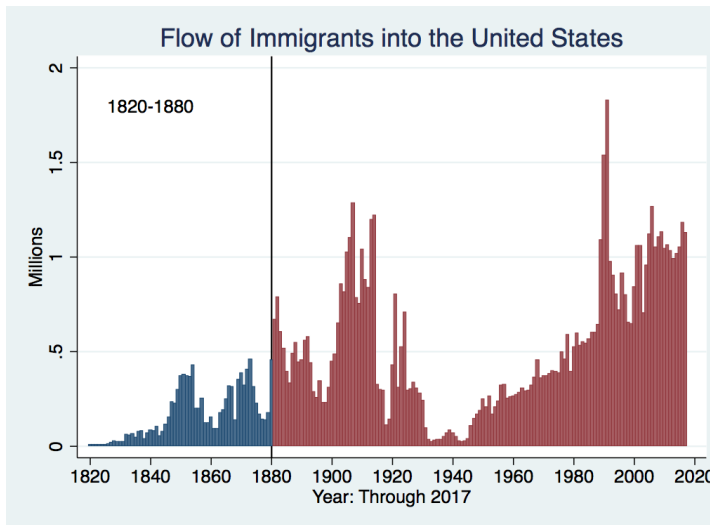
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History of US Immigration

| 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 |

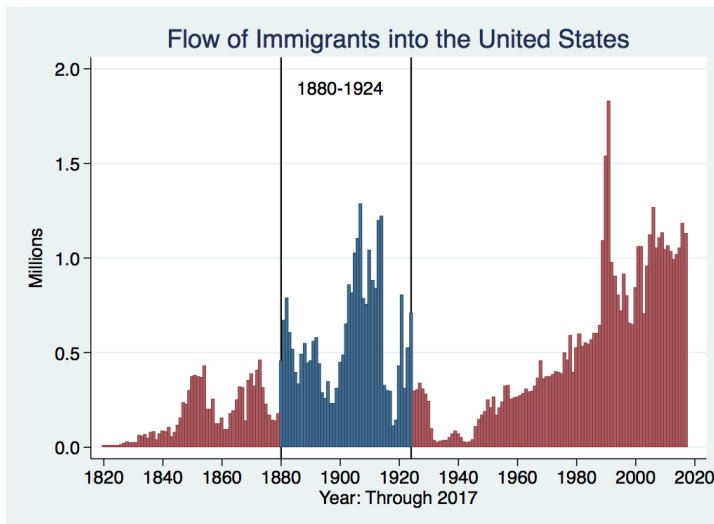
* Slave trade and clearly not voluntary or reflective of standard motivations for immigration.

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 |

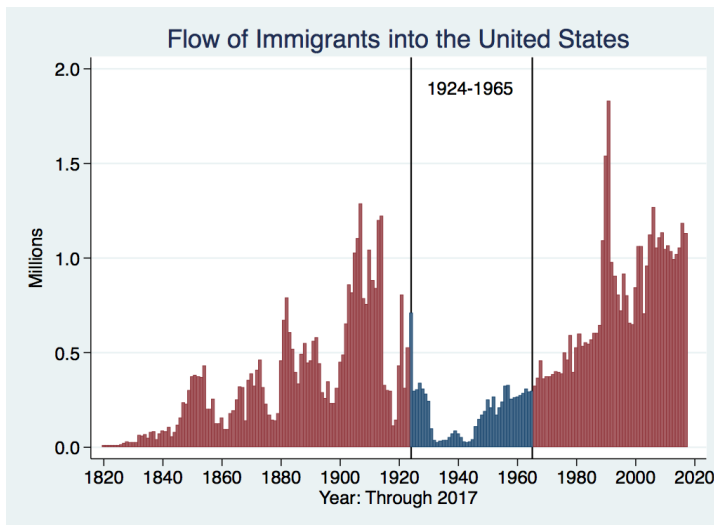
History of US Immigration



| 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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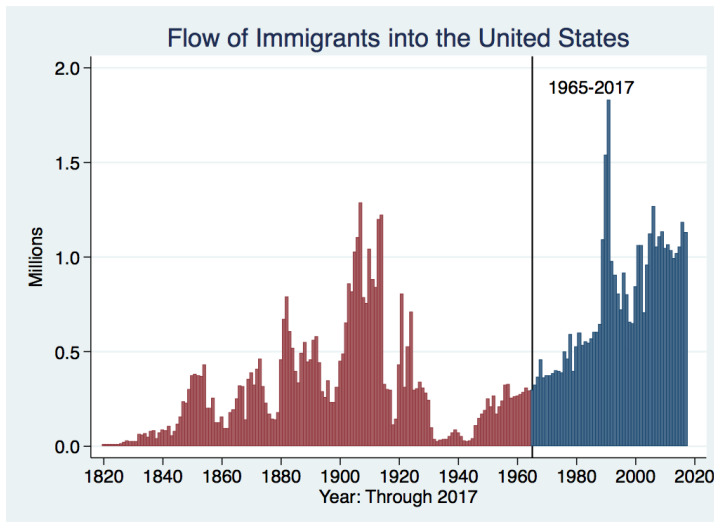
History of US Immigration



| 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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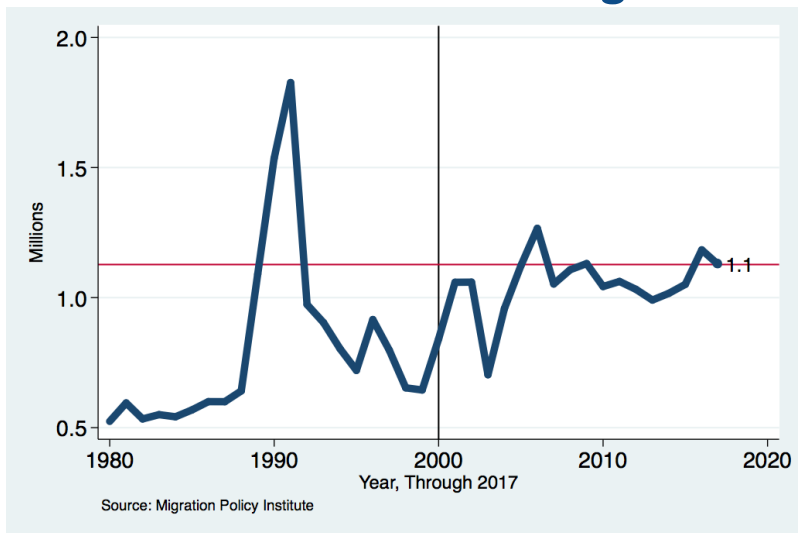
History of US Immigration: 1965-Today



| 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 |

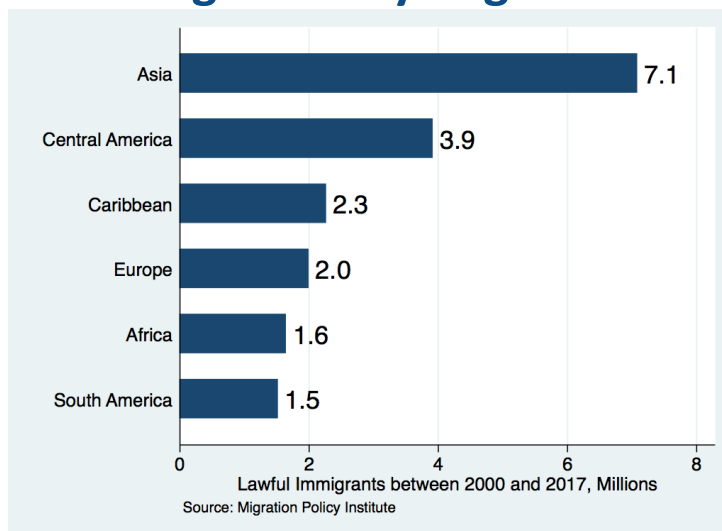
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Recent Trends in Authorized Immigration



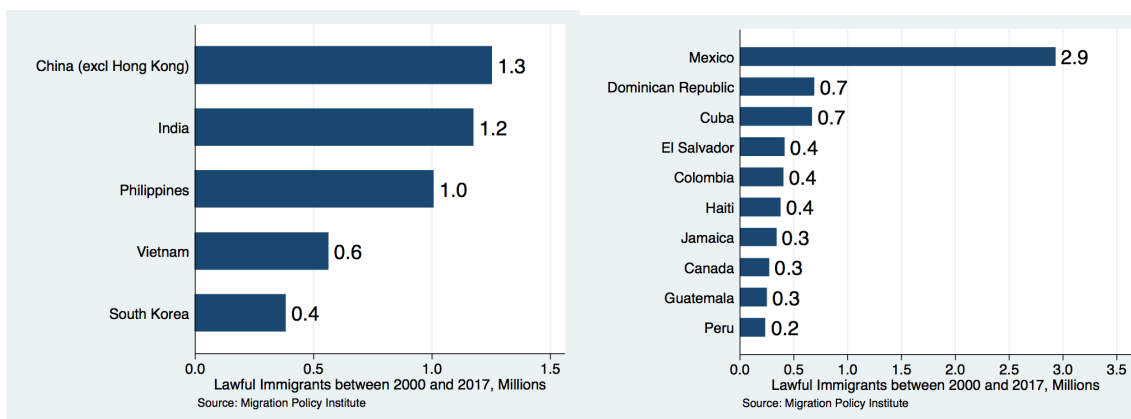
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Authorized Immigration by Region



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Authorized Immigration by Source

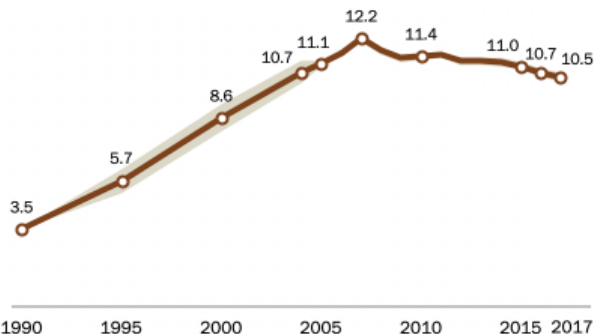


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U.S. Unauthorized Immigration Totals

U.S. unauthorized immigrant total rises, then falls

In millions



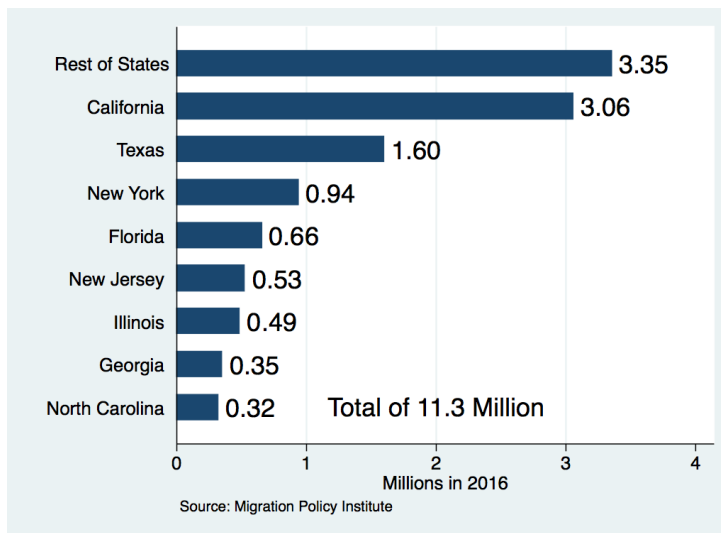
Note: Shading shows range of estimated 90% confidence interval.
 Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

PEW RESEARCH CENTER



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

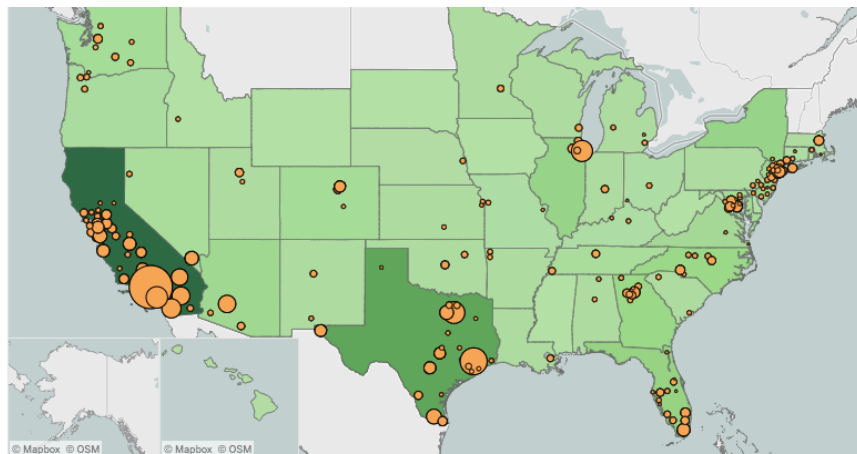
Unauthorized Immigration: Where They Live



Source: Migration Policy Institute



Unauthorized Immigration: 2012-2016



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<https://www.migrationpolicy.org/programs/data-hub/charts/unauthorized-immigrant-populations-country-and-region-top-state-and-county>

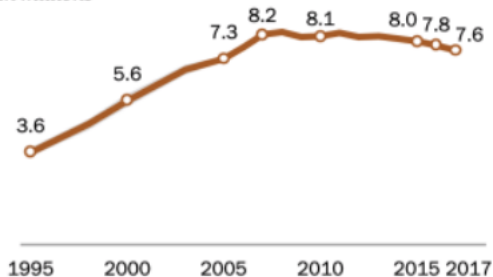
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U.S. Unauthorized Immigration: Labor Force

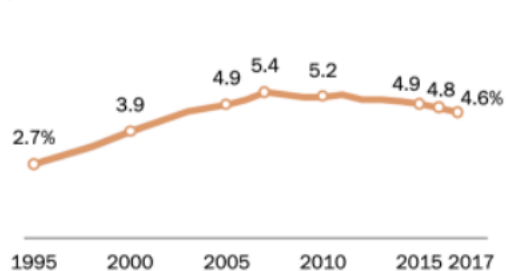
Number of unauthorized immigrants in U.S. workforce ticks down

In millions



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

%



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

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Why Do We Care? Economic Implications

- GDP
- Labor markets
- Innovation, Entrepreneurship, and Inequality
- Government revenue and spending
- Exports, Imports, and 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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Labor Market Implications: Complicated

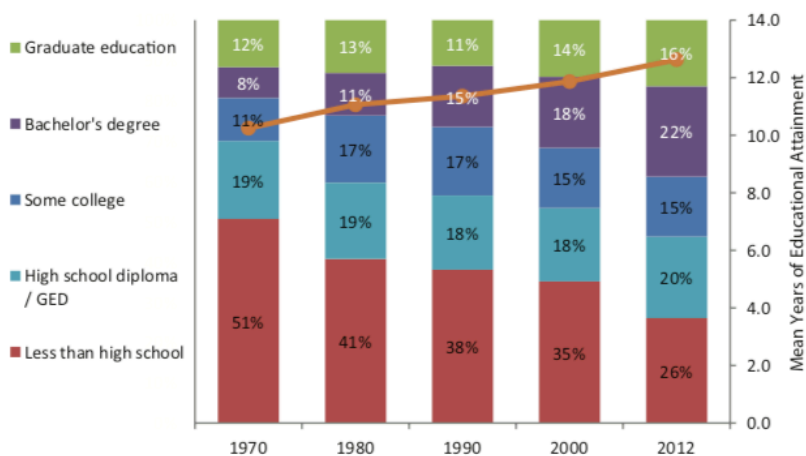
- **Depends on the type of immigrant: Skills/education**
 - Similar to native-born population?
 - Low-skilled?
 - Highly skilled?

- **Brings capital market implications**
 - Low-skilled immigrants – capital supplementing
 - Highly skilled immigrants – capital complementing

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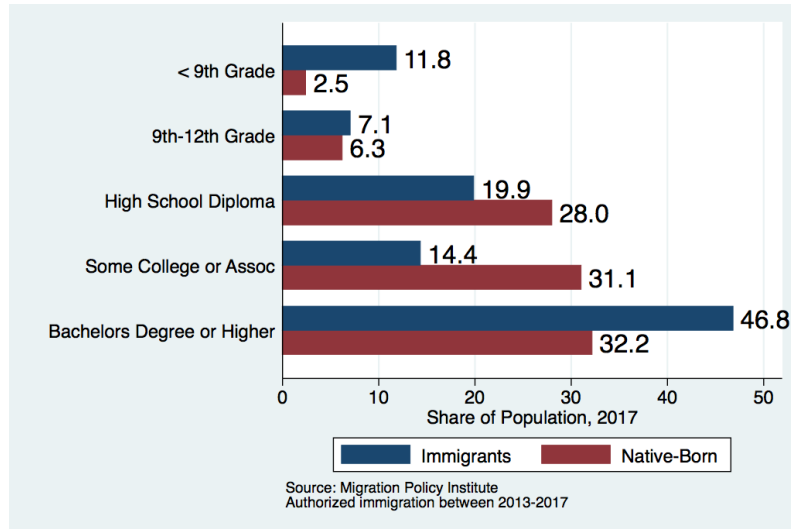
Pattern of Immigration

Educational Attainment of Recent Immigrants – Last 5 Decades



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Recent Immigrants Are Less and More Educated



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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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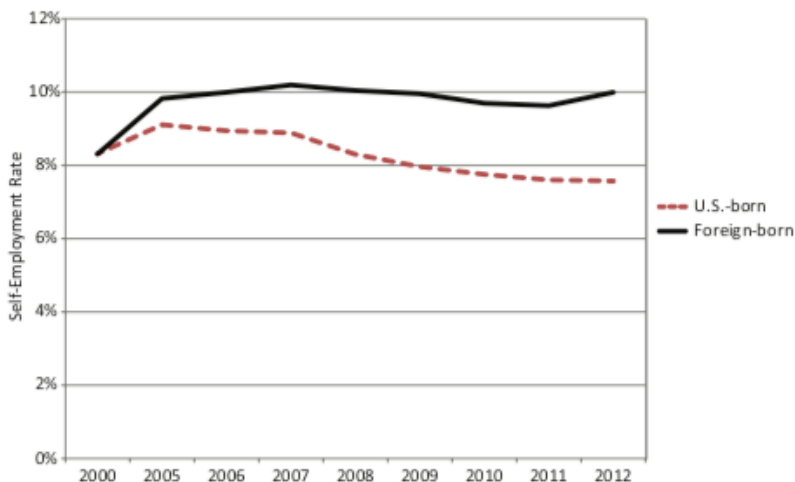
Skilled Immigrants and Innovation

- **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.

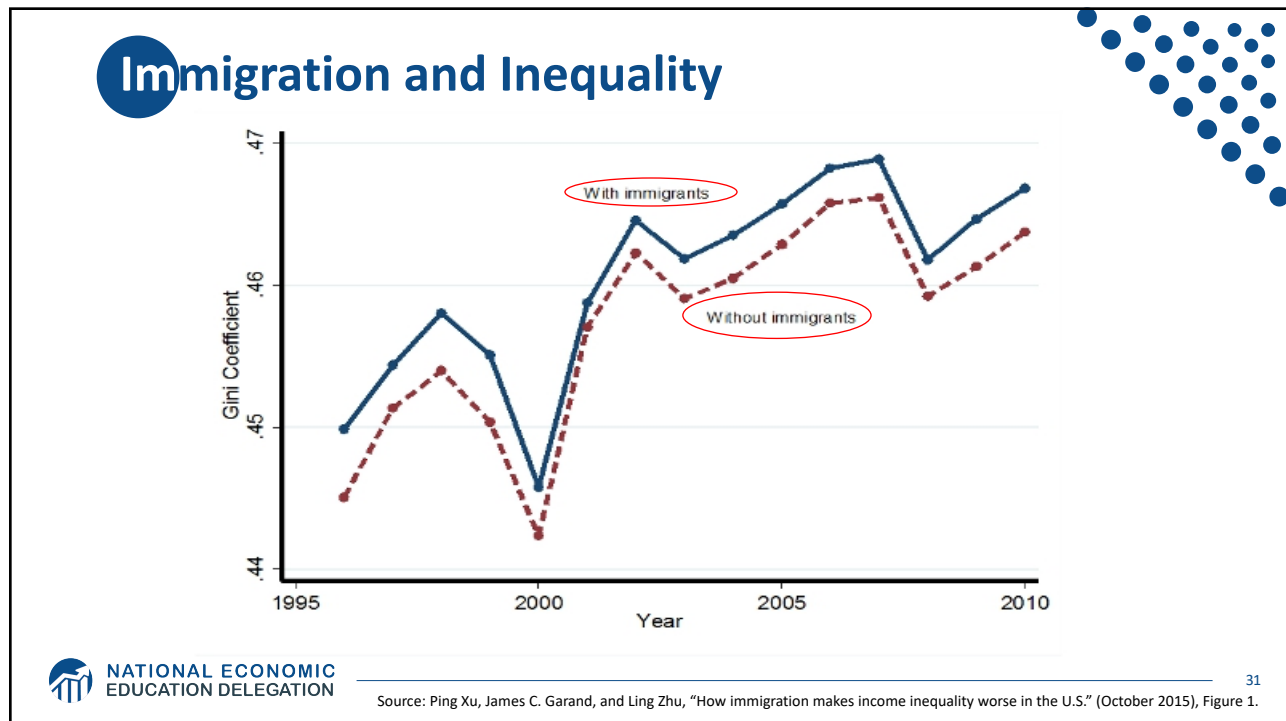
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Immigrants and Entrepreneurship

Self-Employment Rates by Nativity



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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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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.



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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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Bottom Line/Consensus of Estimates

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



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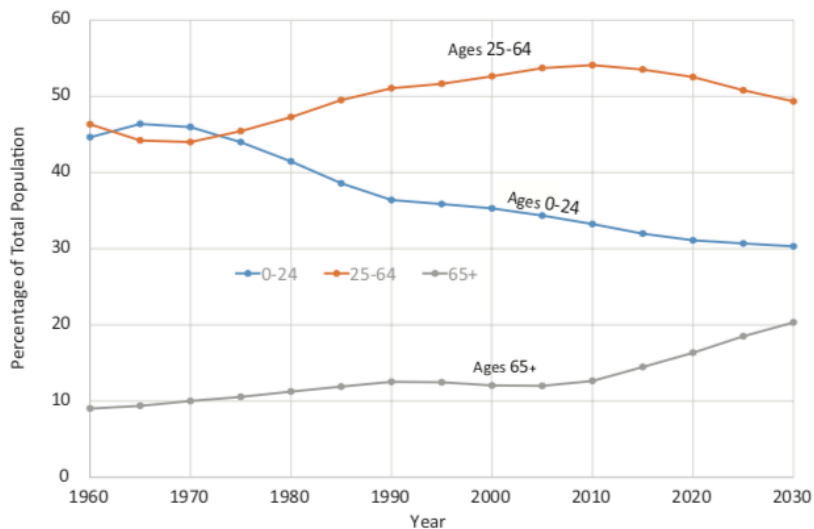
Implications for Major Federal Programs

- **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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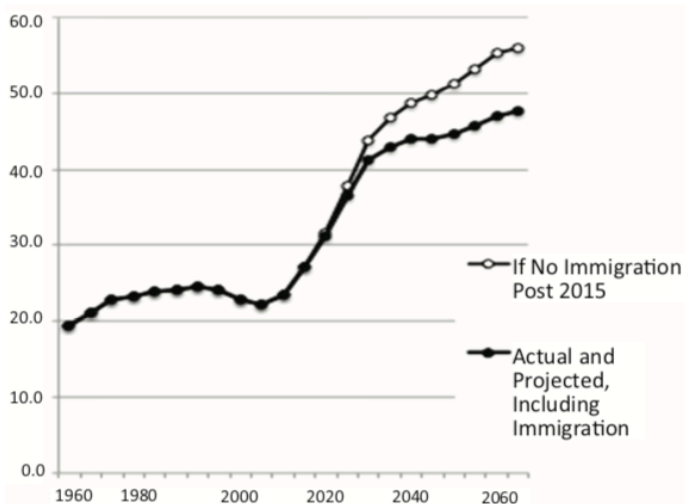
The Aging US Population



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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, Imports, 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 trade (exports and imports) with that country.
 - Increased flows of investment to that country.
- **Migrant networks do indeed complement both trade and FDI.**



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Immigrants and Crime Rates

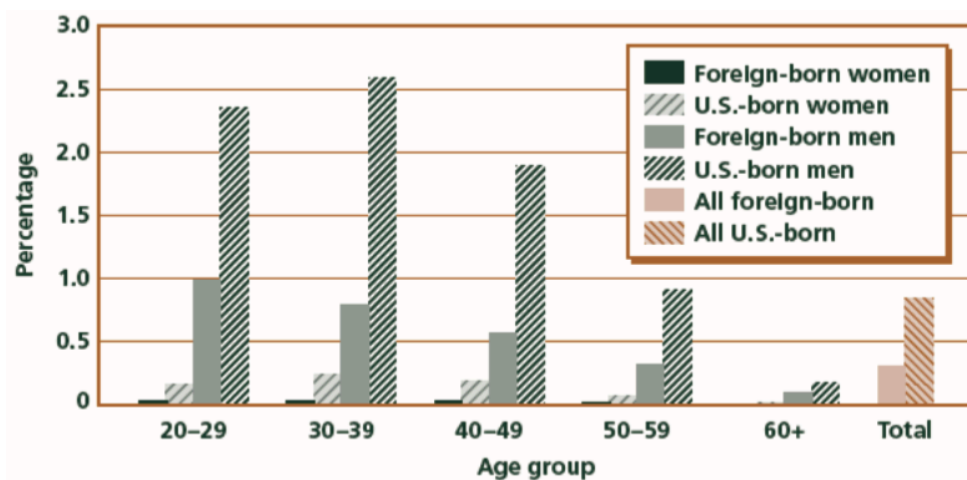
- **Conventional wisdom:**

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

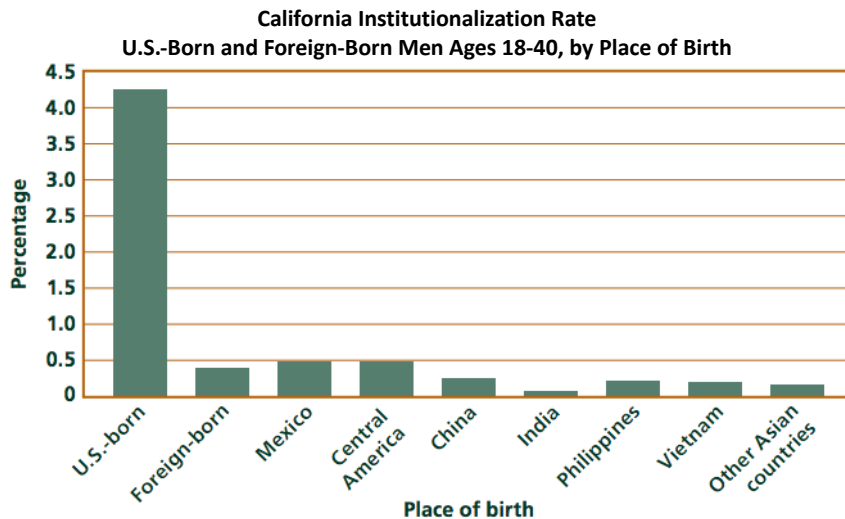
- **What do the data say?**

- 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.

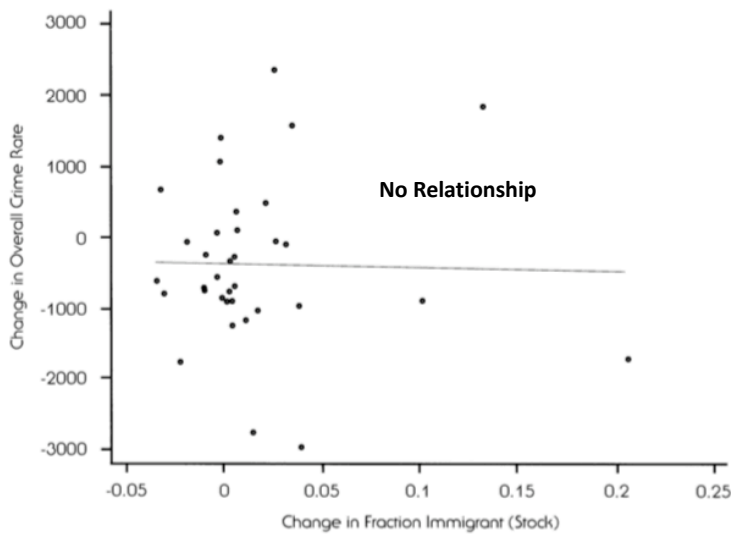
Crime: Incarceration Rates in California



Crime: Incarceration Rates in California



MSAs: Growing Immigration and Crime



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.



Credits and Disclaimer

- **This slide deck was authored by:**
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 - Ethan Lewis, Dartmouth College
- **Disclaimer**
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 - 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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Autonomous Vehicles: Jon Haveman



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Thank you!

Any Questions?

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