

Osher Lifelong Learning Institute, Summer 2022 **Contemporary Economic Policy**

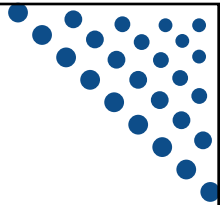
University of Georgia
Aug-Sep, 2022

Jon Haveman, Ph.D.
National Economic Education Delegation



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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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Course Outline

- **Contemporary Economic Policy**

- Week 1 (8/23): Climate Change Economics (Sarah Jacobson, Williams College)
- **Week 2 (8/30): Economics of Immigration (Jennifer Alix-Garcia, Oregon St. Univ.)**
- Week 3 (9/6): Economic Inequality (Kelley Cullen, E. Washington University)
- Week 4 (9/13): Federal Debt (Brian Peterson, Central College)



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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.



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



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Why Do People Migrate?

Levels of Decision-Making

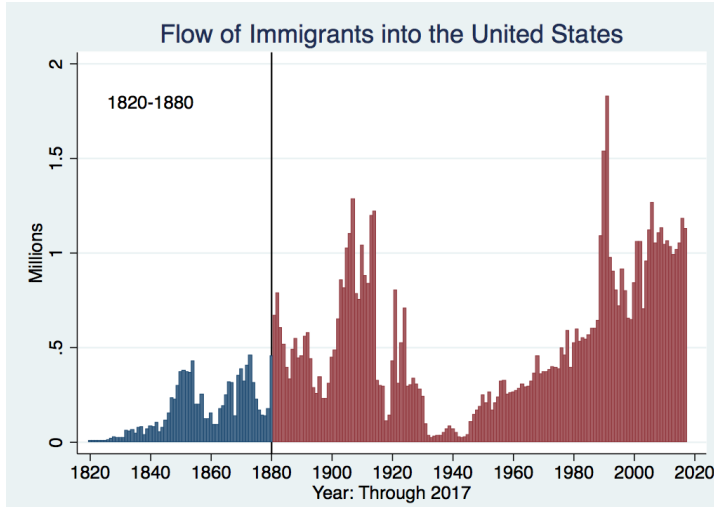
- **Individual level:**
 - Economic opportunity, escape social turmoil.
- **Family level:**
 - Desire of the family to improve its security or level of economic well-being.
 - “Remittances”
- **Structural or Institutional:**
 - War, better information about opportunities, easier transportation, income differentials between countries.
 - Changes in immigration policies.

History of US Immigration

Source Countries	Pre-1790	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.

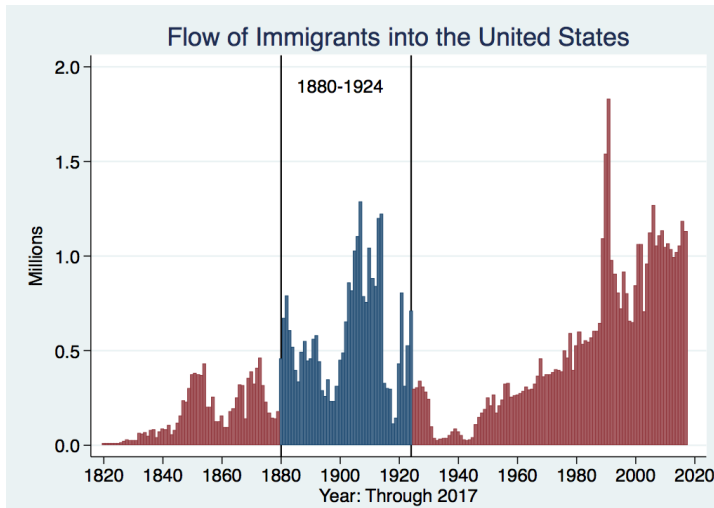
History of US Immigration



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

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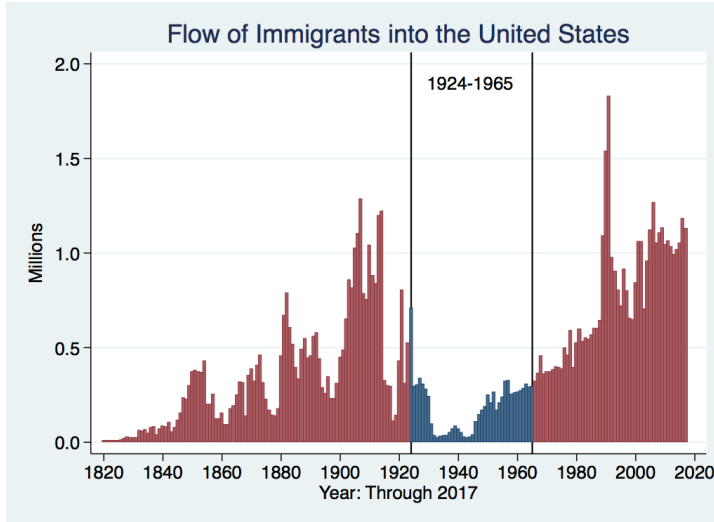
History of US Immigration



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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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

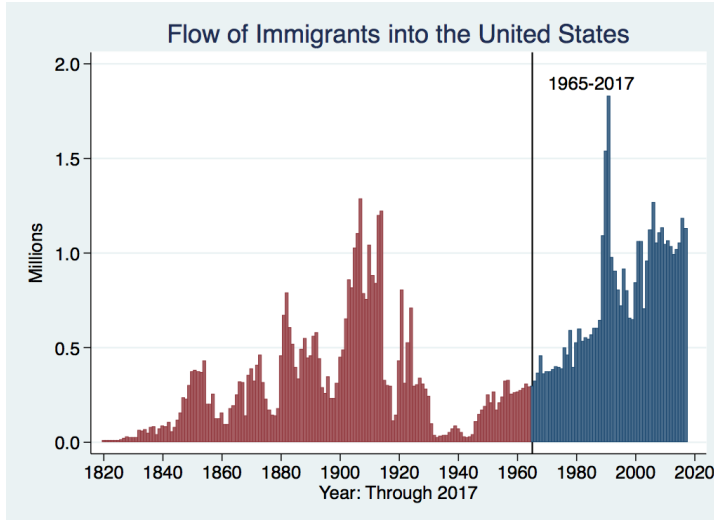
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Signing up for Bracero Program



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History of US Immigration: 1965-Today

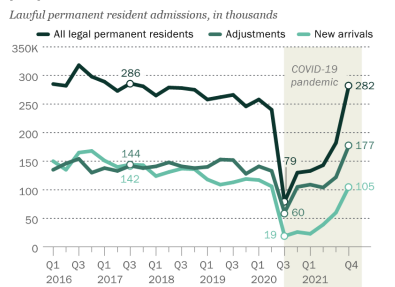


Source Country	1965-2017
Mexico	4,300,000
Philippines	1,400,000
South Korea	760,000
Dominican Republic	750,000
India	740,000
Cuba	700,000
Vietnam	700,000
Canada	650,000

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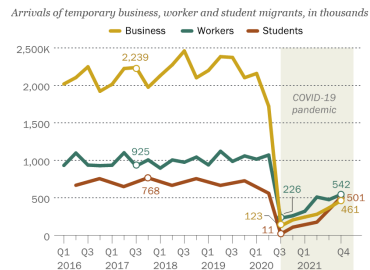
Authorized Immigration during the pandemic***

Green card totals for legal U.S. immigrants rebound to pre-pandemic levels



Notes: Data labels shown for April-June 2017, April-June 2020 and July-September 2021. Years shown are fiscal years, which run Oct. 1-Sept. 30 of designated year. Source: Pew Research Center analysis of U.S. Department of Homeland Security Office of Immigration Statistics data. PEW RESEARCH CENTER

U.S. arrivals of temporary migrants, especially business travelers, are below pre-pandemic levels

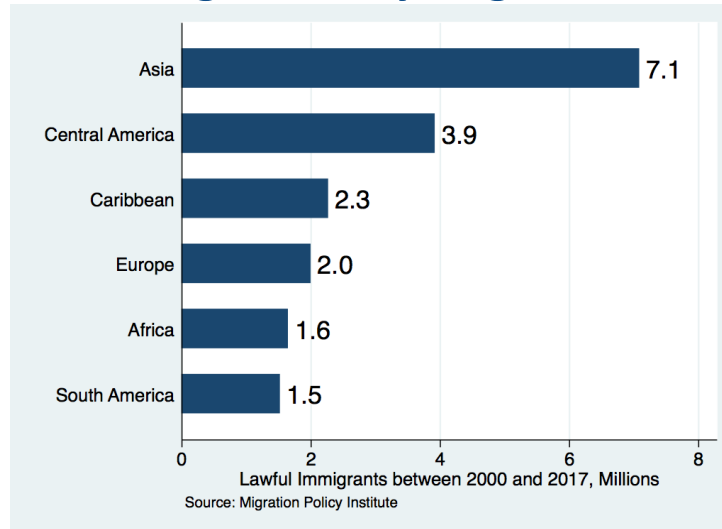


Notes: Data labels shown for April-June 2017, April-June 2020 and July-September 2021, except for the "Students" plot, its 2017 data label is for July-September. Due to seasonal variation, student arrivals shown only for January-March and July-September, except April-June 2020. Years shown are fiscal years, which run Oct. 1-Sept. 30 of designated year. Source: Pew Research Center analysis of U.S. Department of Homeland Security Office of Immigration Statistics data. PEW RESEARCH CENTER

***These figures have been added to the NEED slide deck by the presenter.

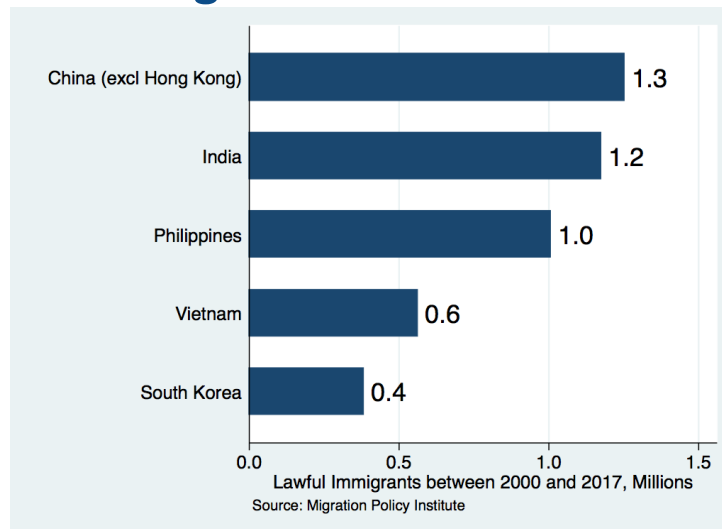
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Authorized Immigration by Region



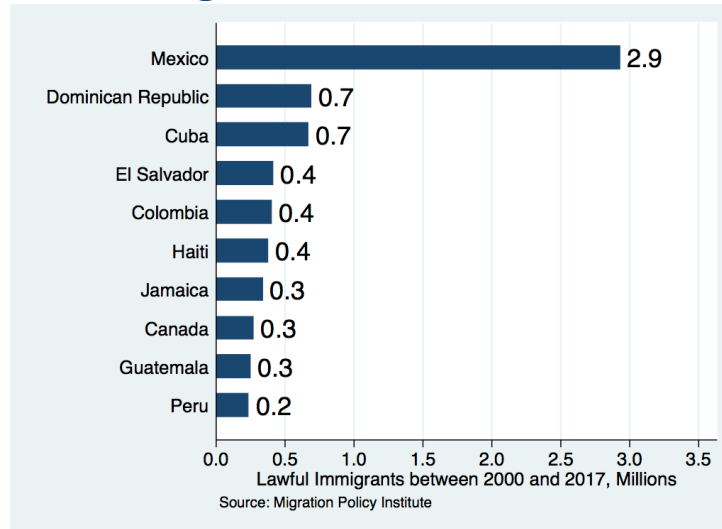
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Authorized Immigration from Asia



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Authorized Immigration from the Americas

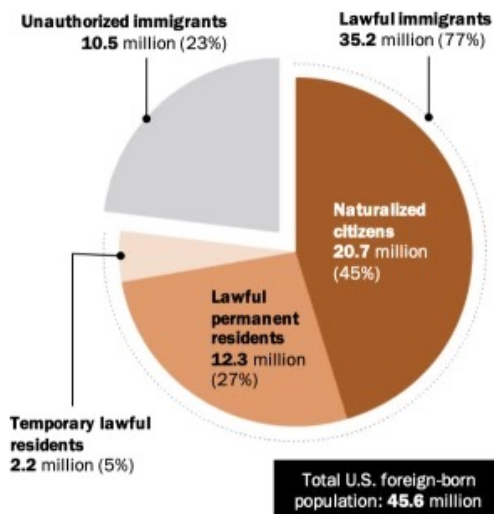


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Immigrant Population in 2017

Foreign-born population estimates, 2017

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

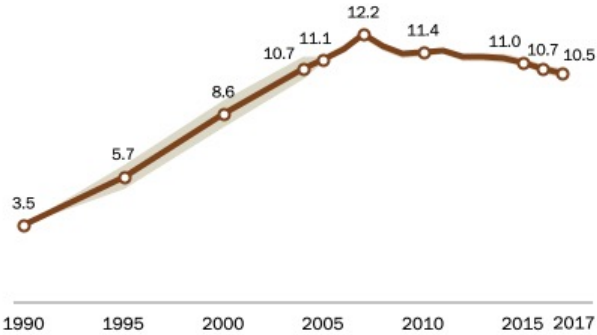


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U.S. Unauthorized Immigration Totals

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.

PEW RESEARCH CENTER



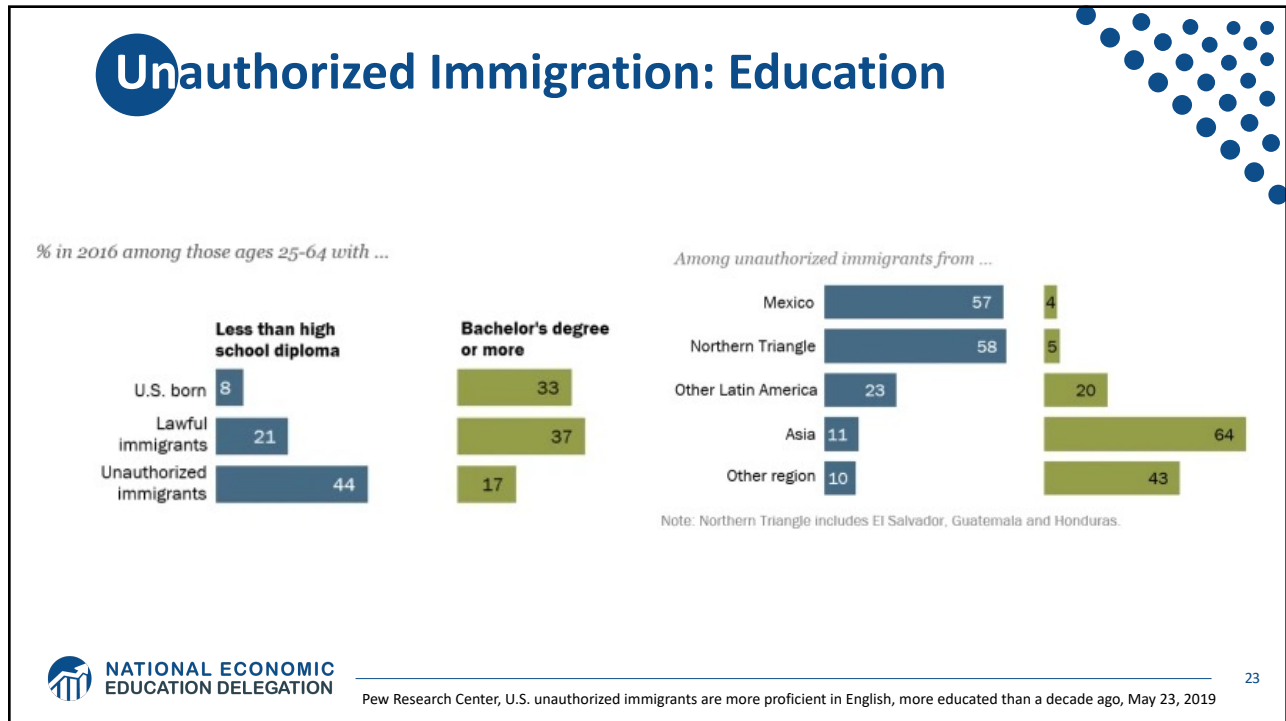
Pew Research Center, 5 facts about illegal immigration in the U.S., June 12, 2019

Unauthorized Population: Source Countries

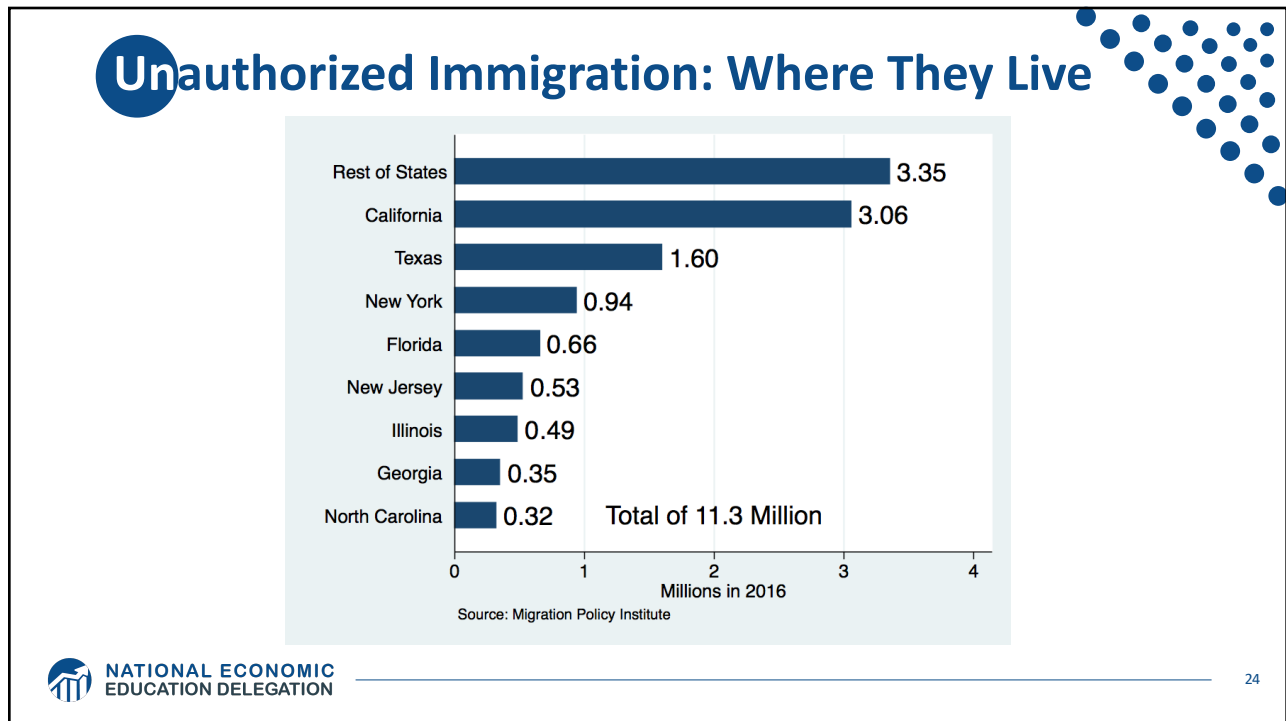
In thousands

	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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Why Do We Care? Economic Implications

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



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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 and Labor Markets



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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 – capital supplementing
- Highly skilled – capital complementing



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Source: Hong & McLaren (2015).

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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 depending upon skill level.

- **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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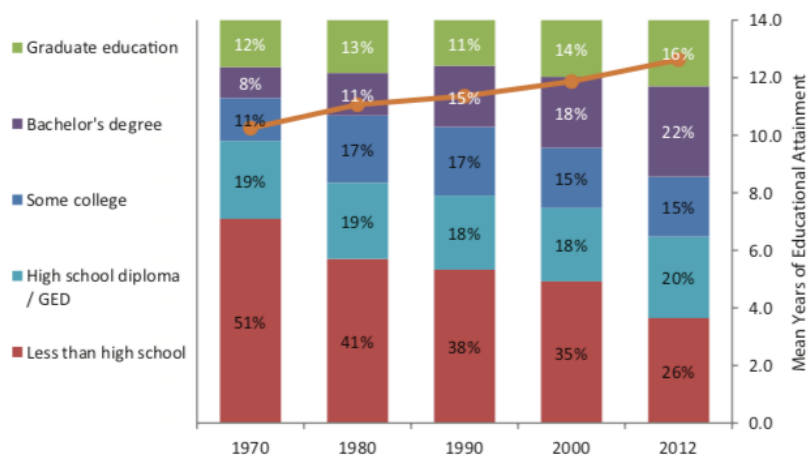
Summary of Labor Market Effects

- **Immigration CAN lead to negative wage effects for competing native-born workers in the short run**
 - Particularly high school dropouts and those in vulnerable communities.
- **Other workers will likely benefit**
 - Through increased wages.
 - Through increased opportunity (each immigrant creates ~1.2 local jobs).
- **Owners of capital will benefit**
 - Existing capital will earn greater returns.
 - More if immigrant labor complements existing capital.

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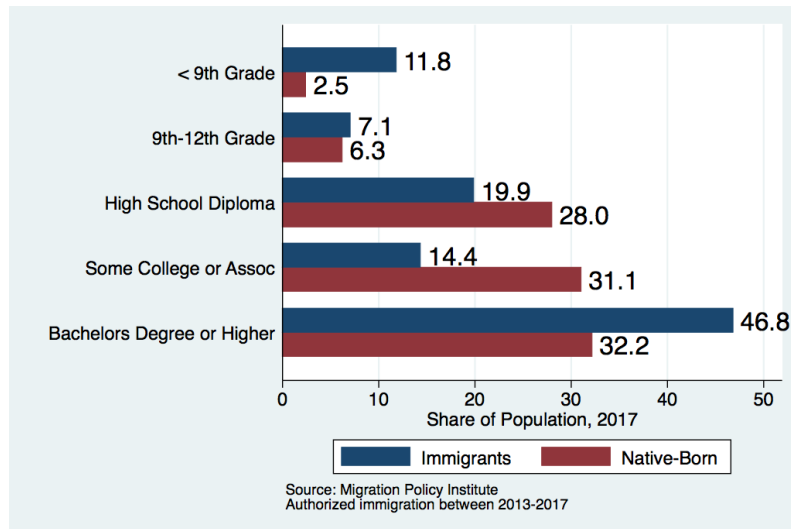
Pattern of Immigration

Educational Attainment of Recent Immigrants – Last 5 Years



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Recent Immigrants Are Less and More Educated



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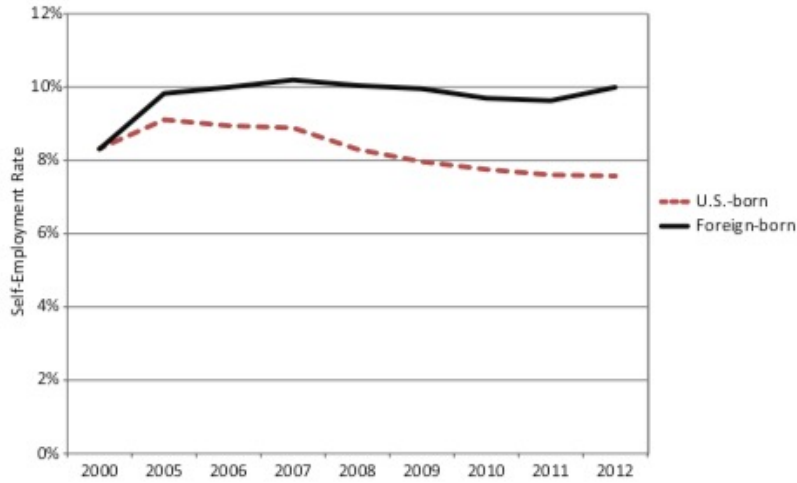
Skilled Immigrants and Innovation

- **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

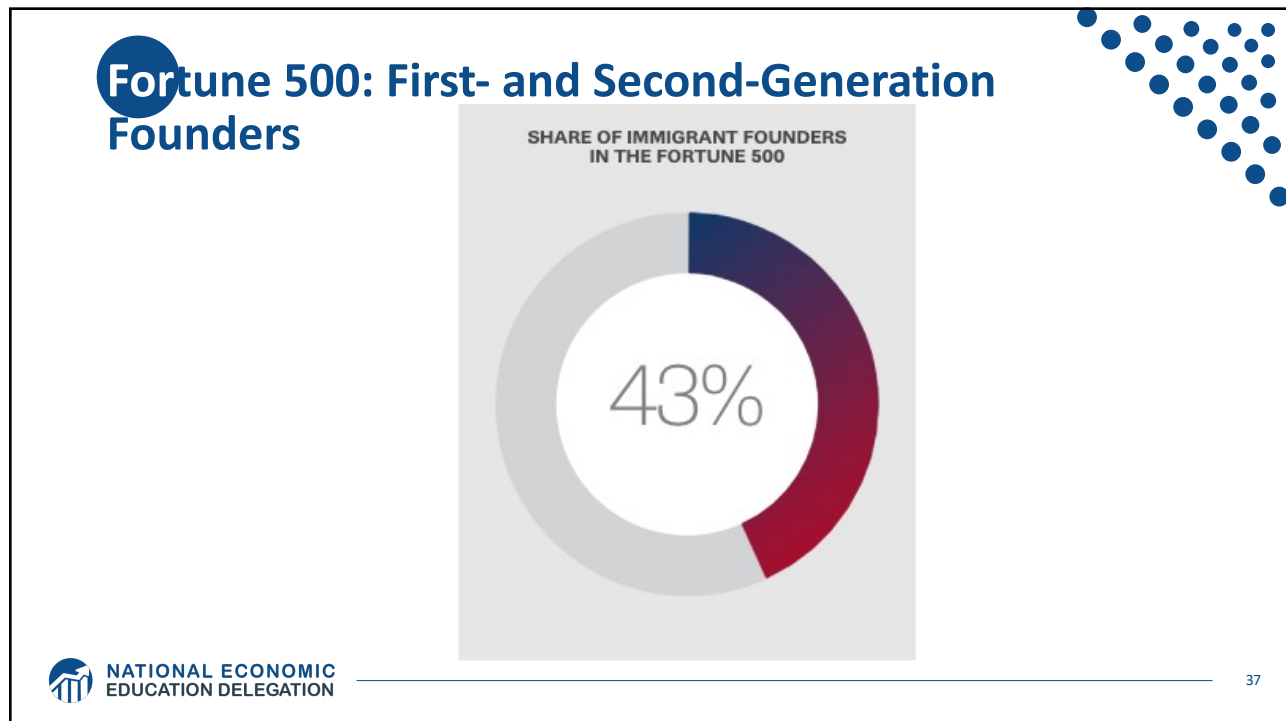
Self-Employment Rates by Nativity



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AT&T Facebook amazon.com Disney BOEING Ford Apple UPS Tesla CHASE J.P.Morgan LinkedIn PG&E IBM Alphabet

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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
- **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



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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



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Topics?

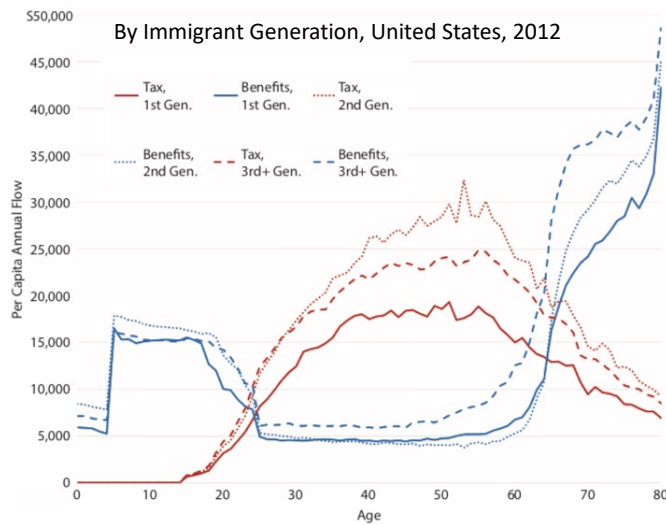
- **Basic Question:**

- 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.
 - 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.**

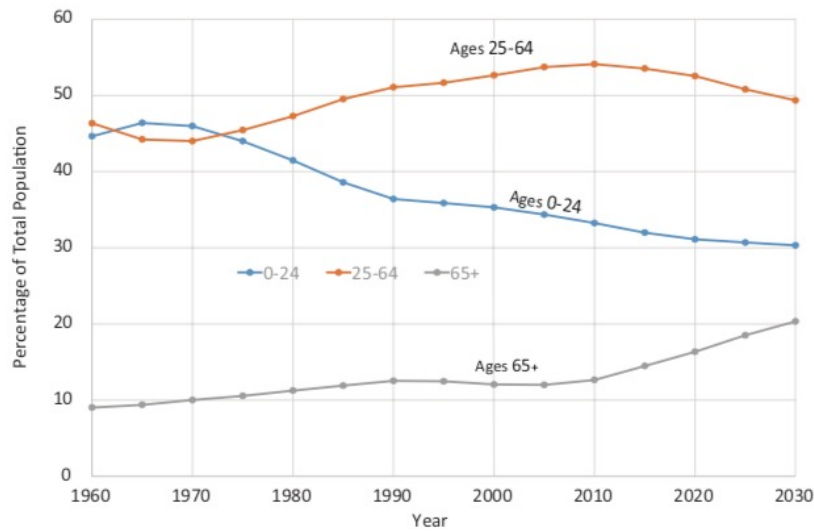


Implications for Major Federal Programs

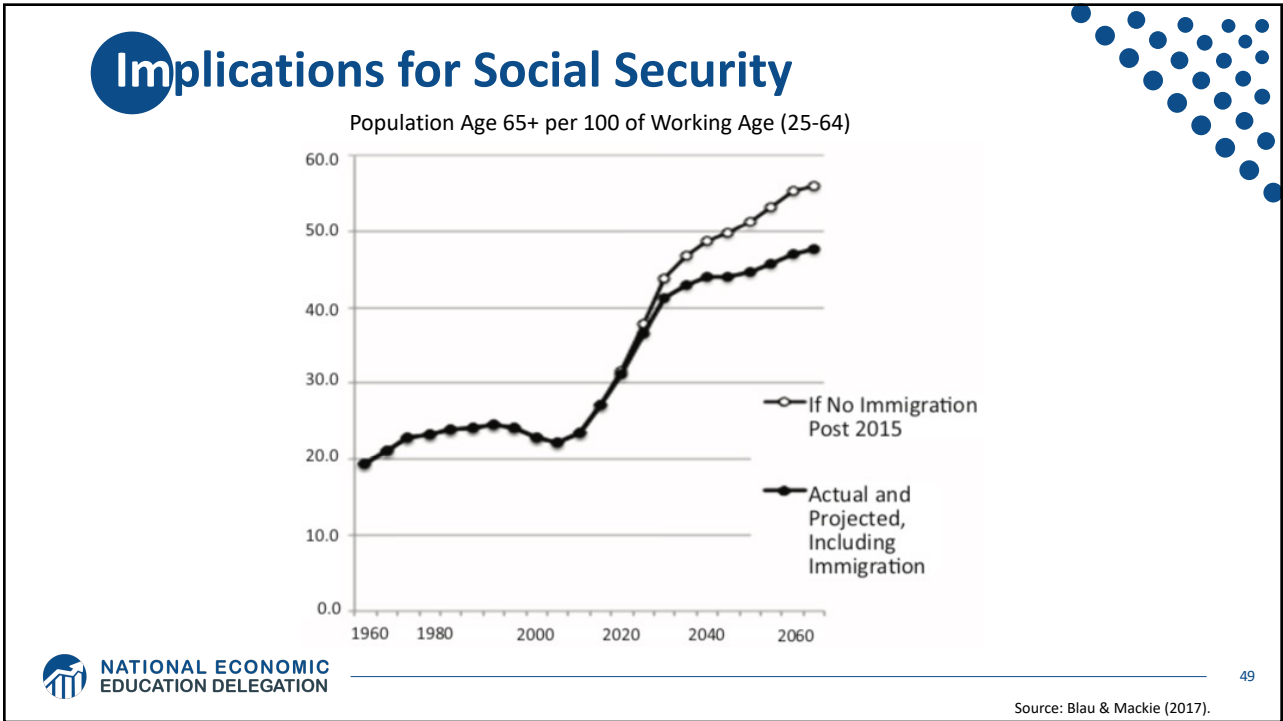
- Documented immigrants are less likely to use Social Security and Medicare.
- Unauthorized immigrants are ineligible.
 - They will pay into the system but cannot receive benefits.
- Medicaid: not available to legal residents for the first five years.
- Provide a source of revenue for an aging population.

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The Aging US Population



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Other Implications of Immigration

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Non-Economic 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!

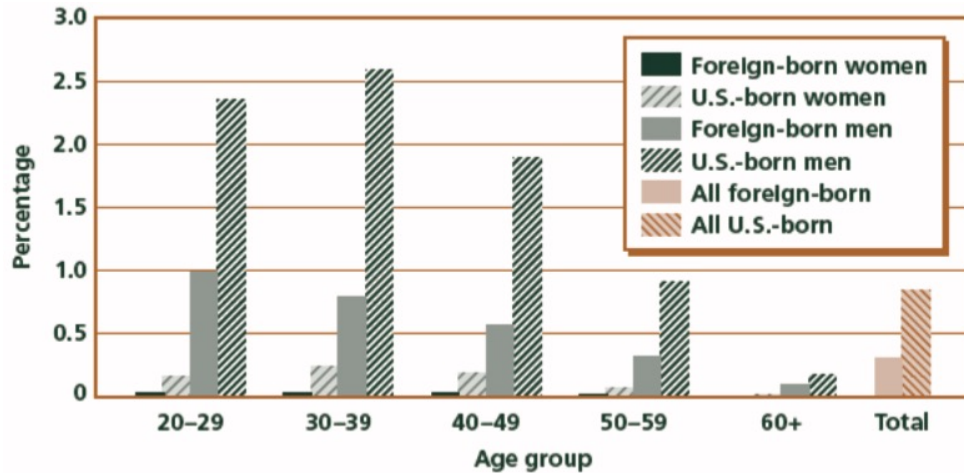


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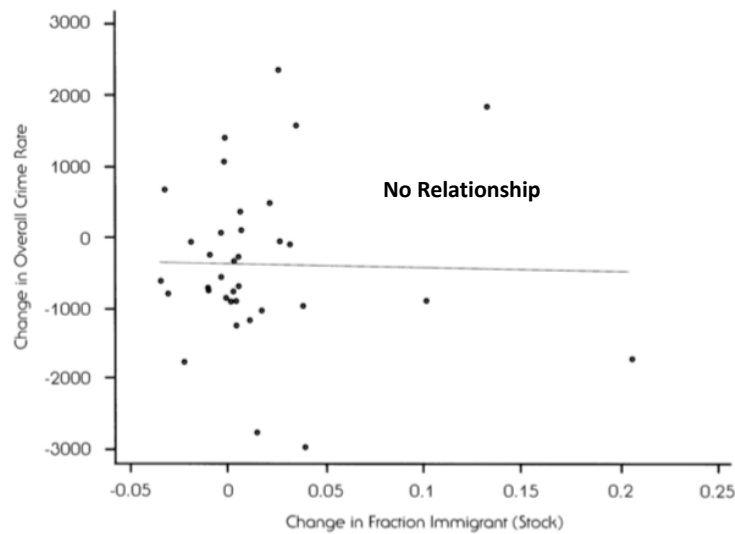
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Crime: Incarceration Rates in California



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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.



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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.

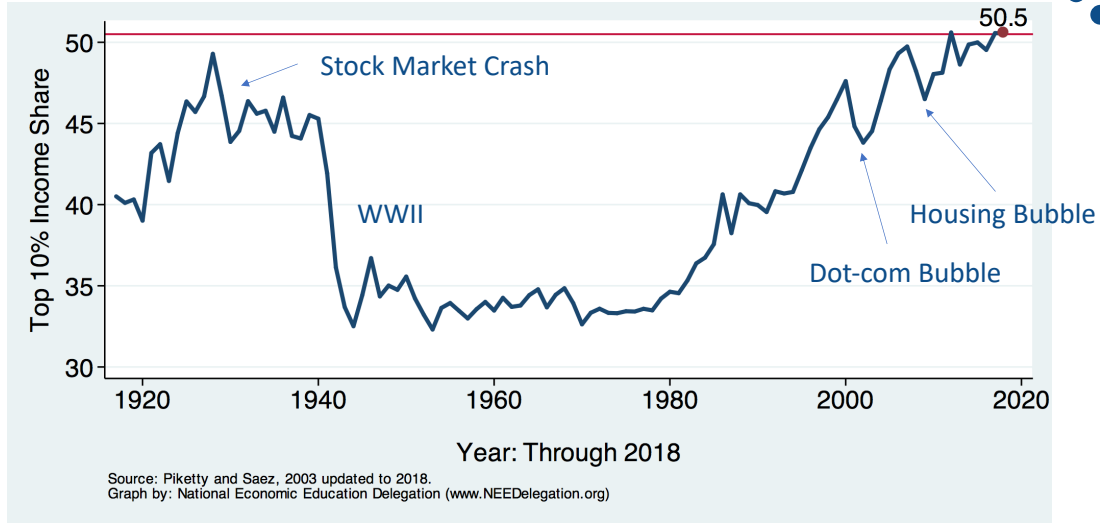


About Conventional Wisdom

- **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.



Economic Inequality: Kelley Cullen



Thank you!

Any Questions?

www.NEEDelegation.org

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