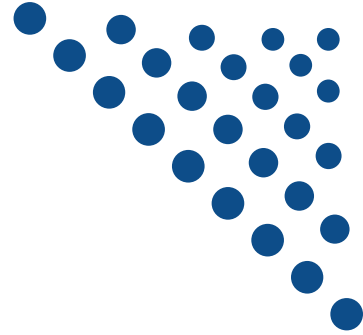


Osher Lifelong Learning Institute, Fall 2023
Contemporary Economic Policy

Eckerd College
November 7, 2023

Roger White, Ph.D.
National Economic Education Delegation

Course Outline



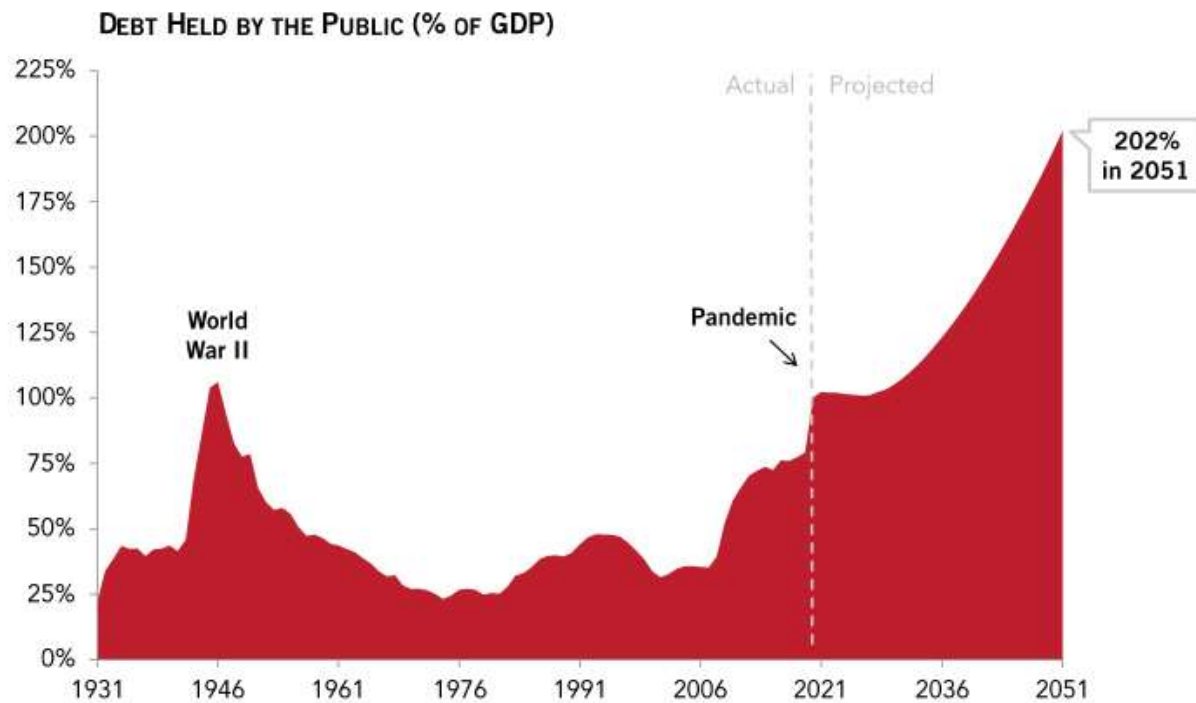
- **Contemporary Economic Policy**

- Week 1 (10/10): Economic Update (Geoffrey Woglom, Amherst College)
- Week 2 (10/17): International Institutions (Alan Deardorff, U of Michigan)
- Week 3 (10/24): Economics Inequality (Roger White, Whittier College)
- Week 4 (10/31): Trade and Globalization (Avik Chakrabarti, U Wisconsin Milwaukee)
- Week 5 (11/07): **Economics of Immigration (Roger White, Whittier College)**
- Week 6 (11/10): Federal Debt (Brian Peterson, Lagrange College)

The Federal Debt is Becoming A Problem



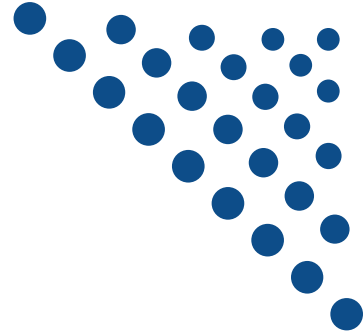
The national debt is on an unsustainable path



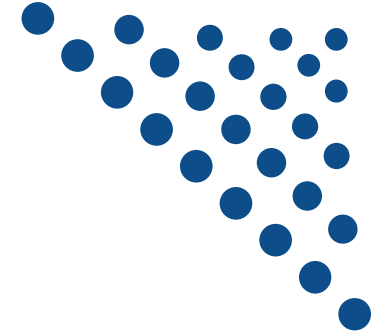
SOURCE: Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021.
© 2021 Peter G. Peterson Foundation

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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.
- **We will do a verbal Q&A once the material has been presented.**
 - And the questions in the chat have been addressed.



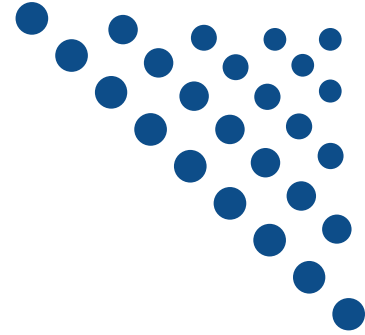
The Economics of Immigration

Roger White, Ph.D.

Douglas W. Ferguson Professor of
International Economics, Whittier College



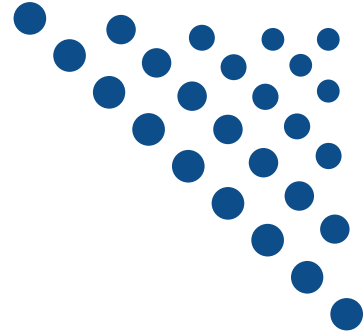
Outline



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



What Is Immigration?



- **Immigration**

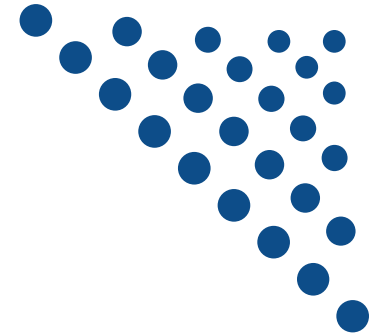
- The action of coming to live in another country.

- **Emigration**

- The act of leaving one's own country and going to live in another country.



Why Do People Migrate?



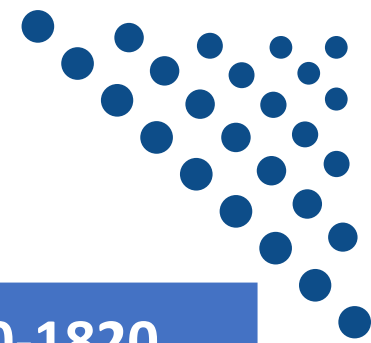
- **Push factors:**

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

- **Pull factors:**

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

History of US Immigration



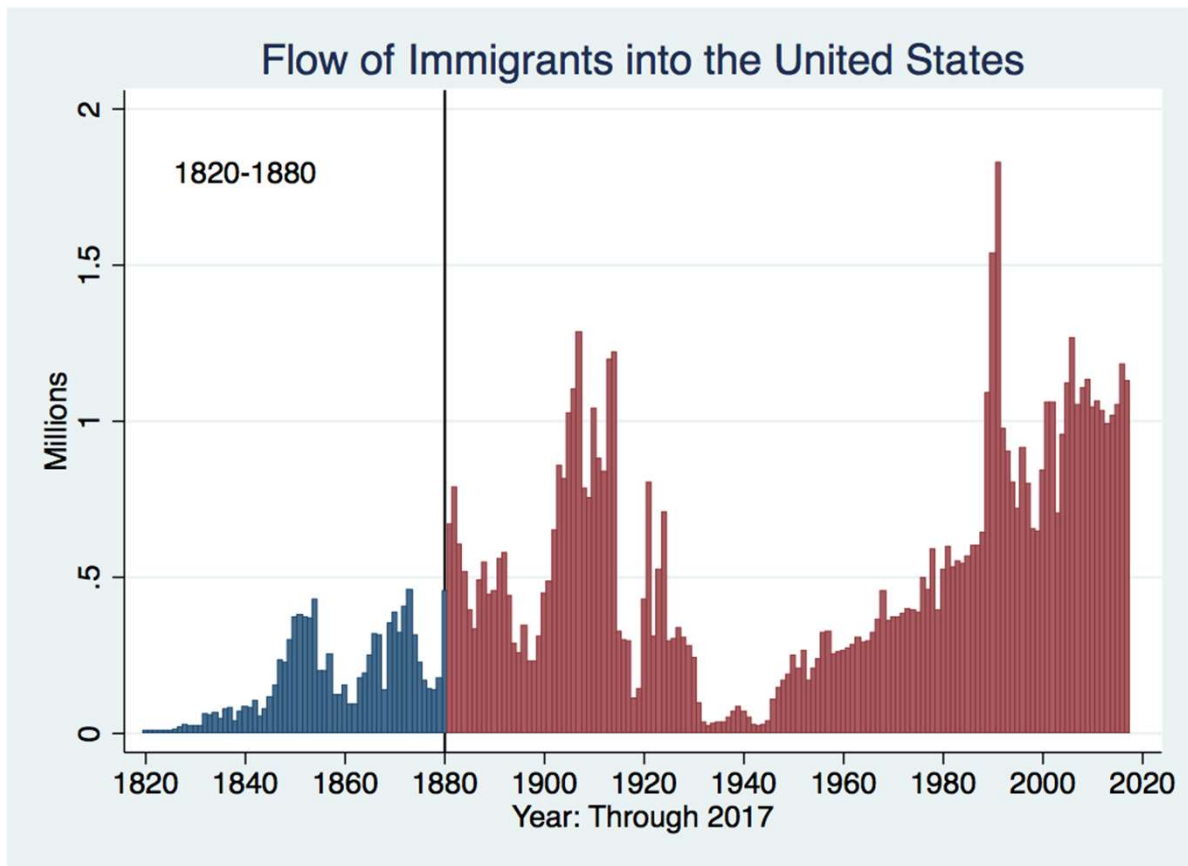
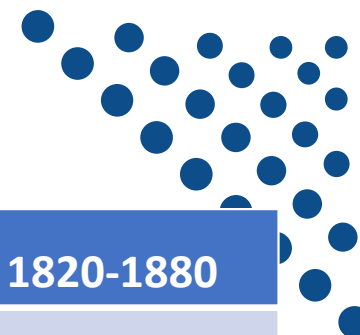
Source Countries	Pre-1790	Source Countries	1790-1820
African countries*	300,000	African countries*	85,000
England	300,000	Scotland-Ireland	50,000
Scotland-Ireland	100,000	England	45,000
Germany	100,000	France	40,000
Scotland	75,000	Germany	25,000

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

Slide 9

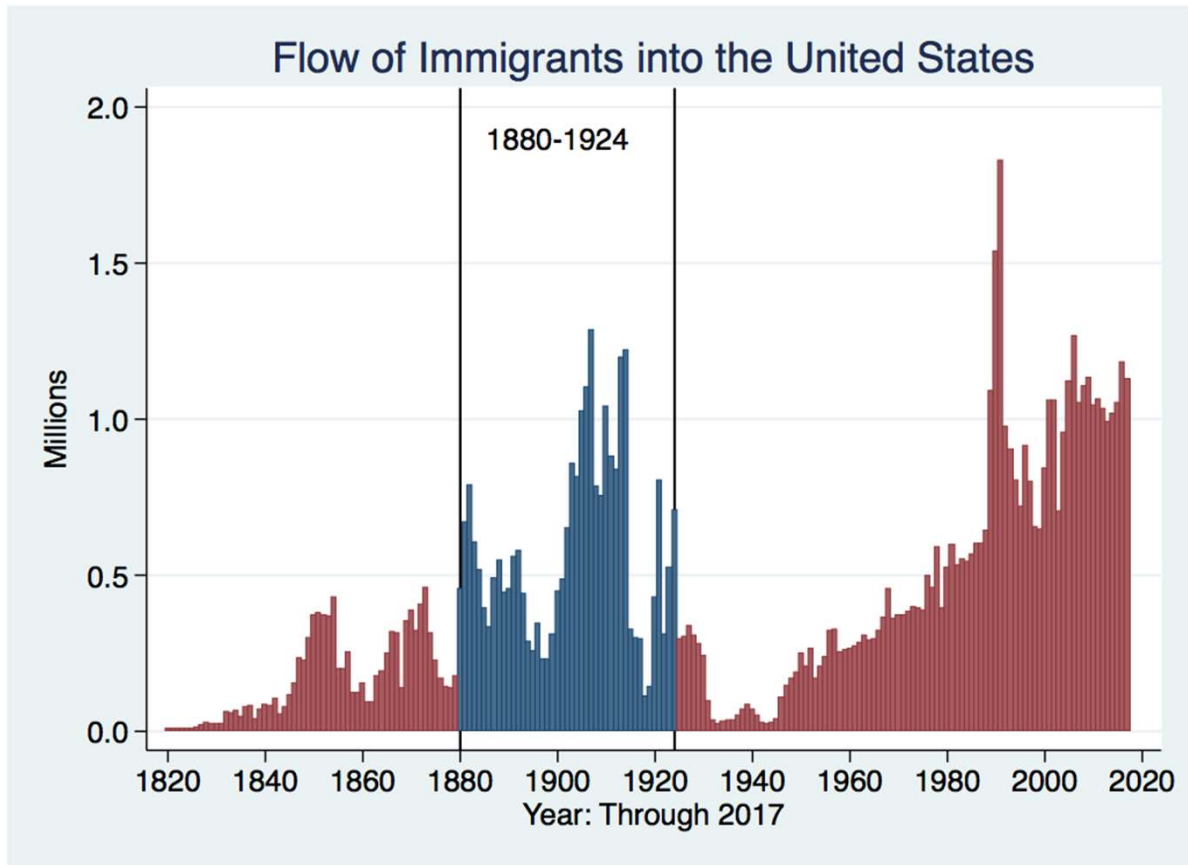
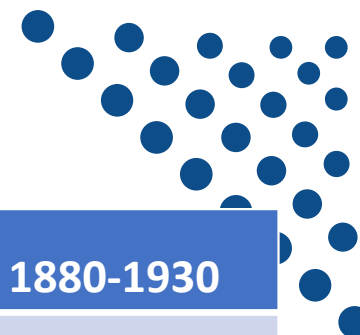
ds1 Table wording is problematic as the heading is Source Country, but the stubs are not countries
debra soled, 10/15/2020

History of US Immigration



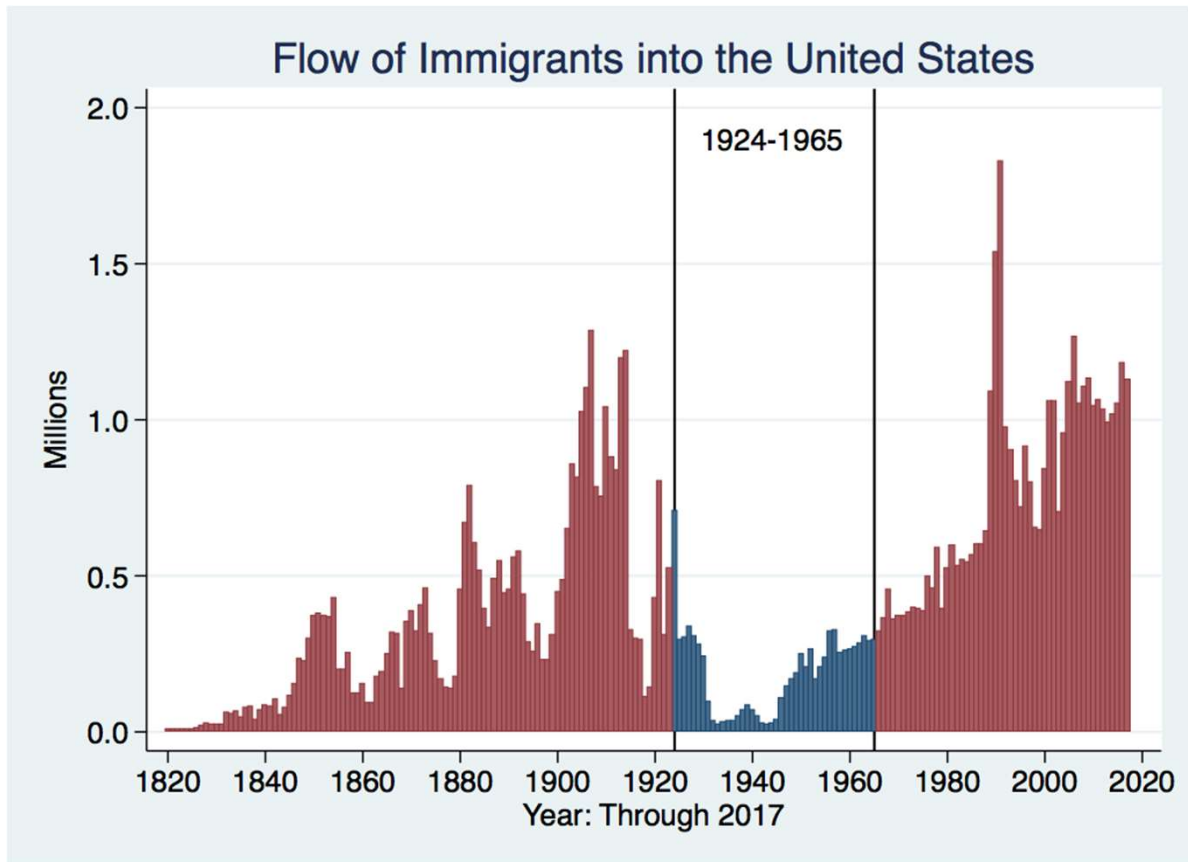
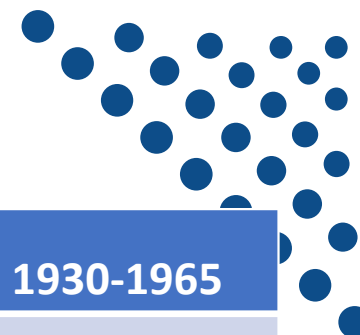
Source Countries	1820-1880
Germany	3,000,000
Ireland	2,800,000
Britain	2,000,000
Austro-Hungarian empire	1,000,000
Canada	750,000
China	230,000
African countries	50,000

History of US Immigration



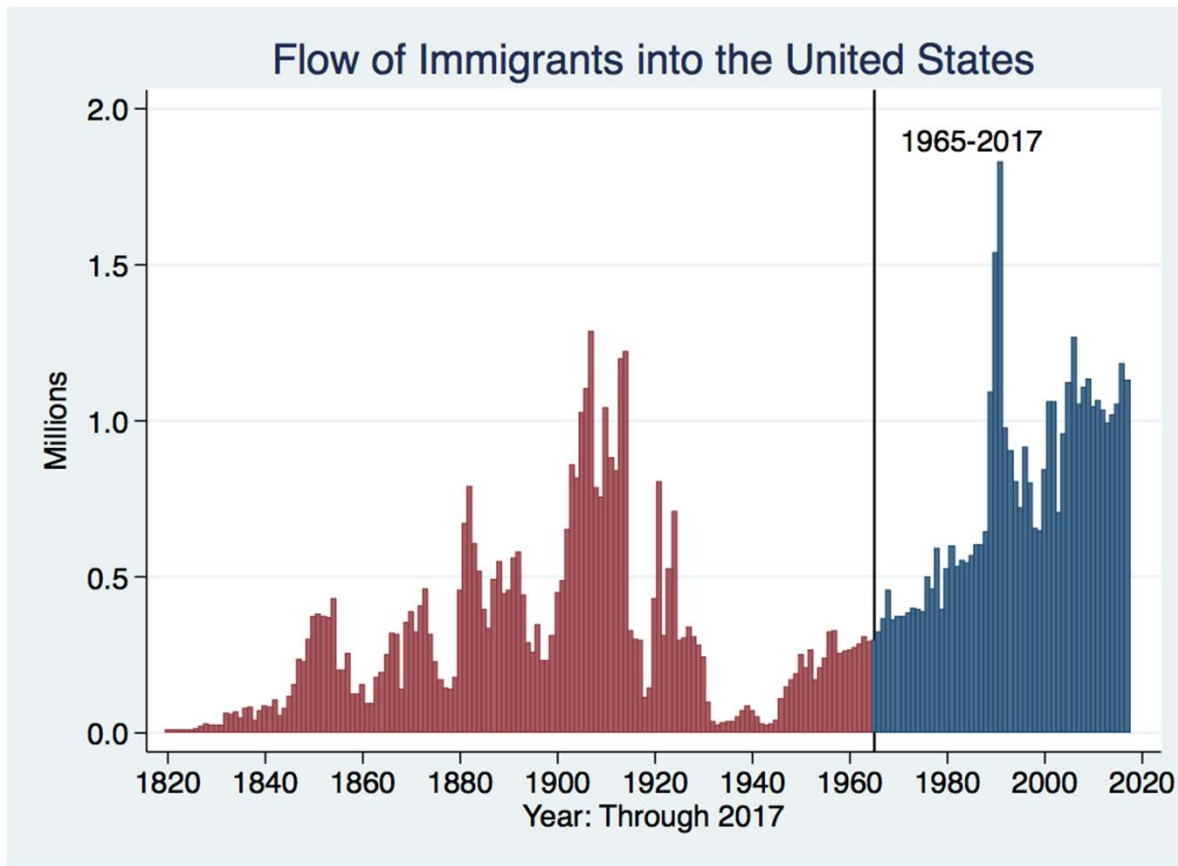
Source Countries	1880-1930
Italy	4,600,000
Austro-Hungarian empire	4,000,000
Russian empire	3,300,000
German empire	2,800,000
Britain	2,300,000
Canada	2,300,000
Ireland	1,700,000

History of US Immigration



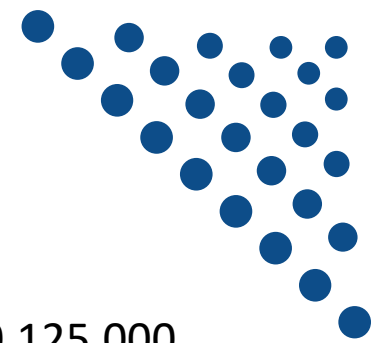
Source Countries	1930-1965
Germany	940,000
Canada	900,000
Mexico	610,000
Britain	480,000
Italy	390,000
Caribbean/ West Indies	310,000

History of US Immigration: 1965-2017



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

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...

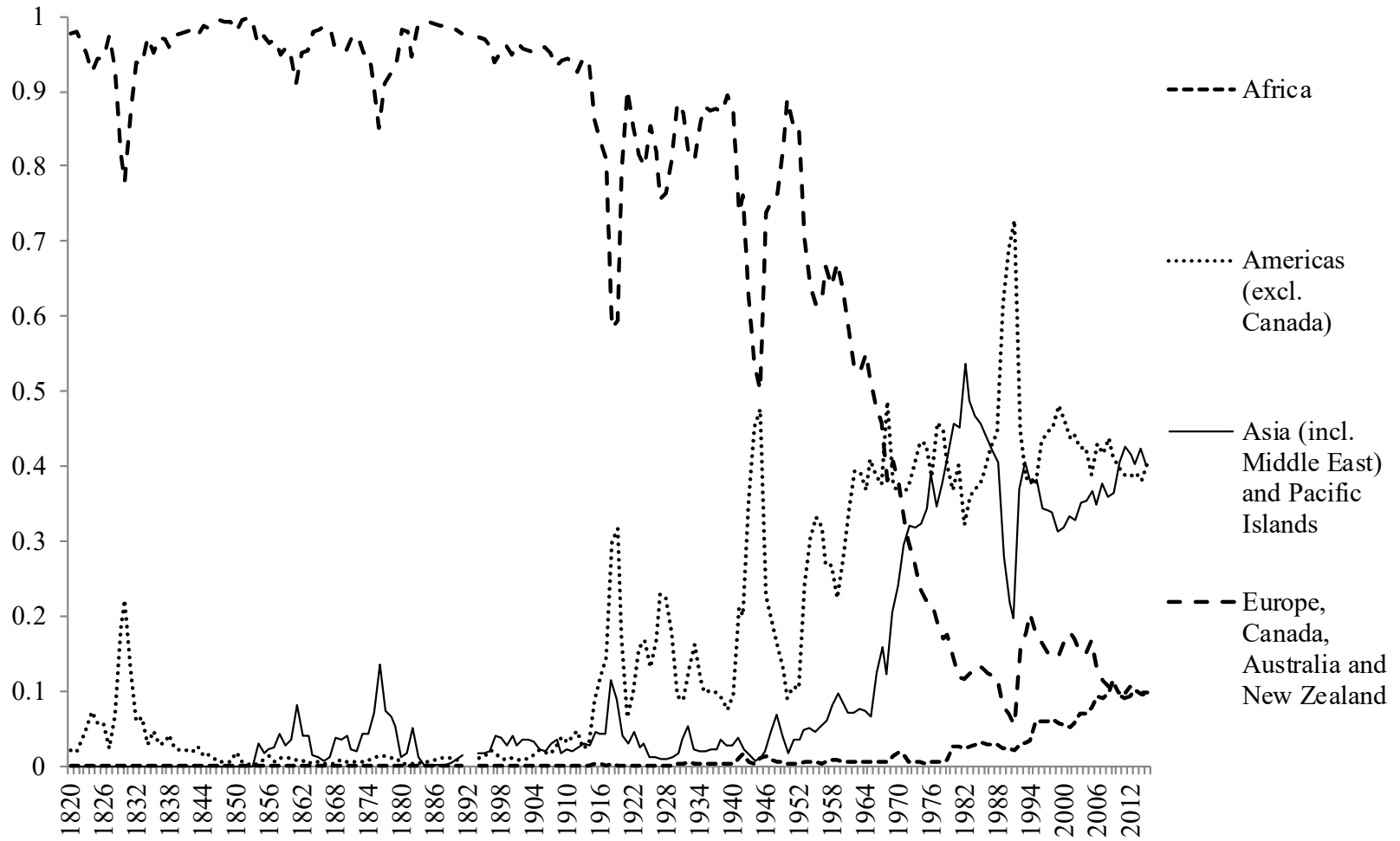
- US population increased by 2.27 million (0.74%)
- Native births contributed approx. 1.35 million (0.44%)
- Immigration contributed approx. 920,000 (0.30%)

Total and Average Annual Immigrant Arrivals, 1820-2015

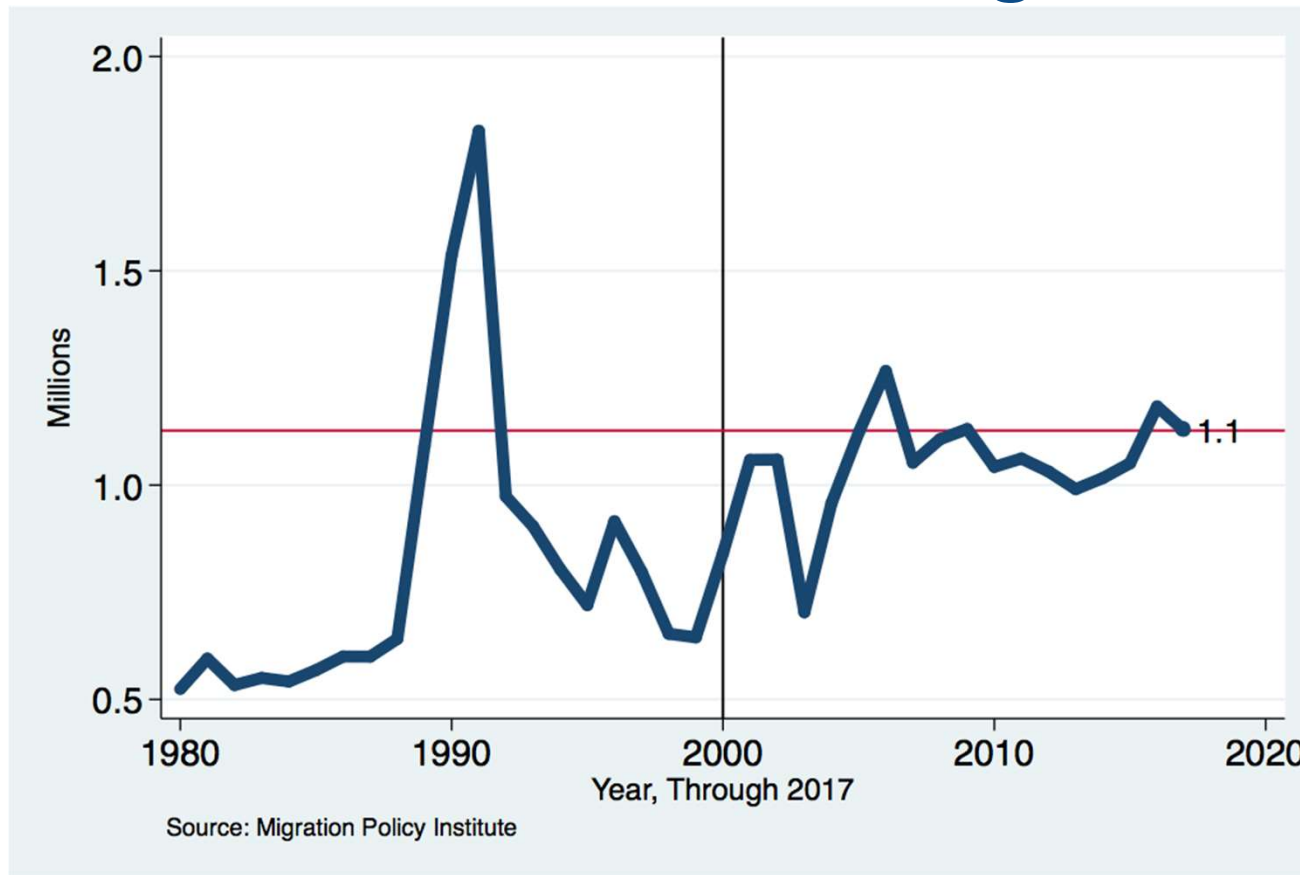
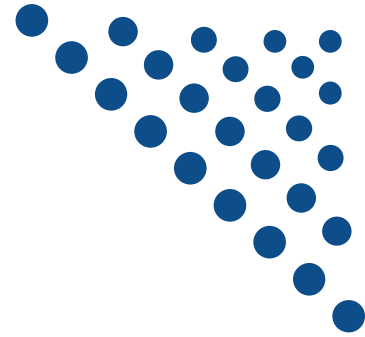
Area/Region	1820-1874	1875-1920	1921-1967	1968-2015	1820-2015
All countries	8,876,433	24,745,460	10,321,482	36,732,378	80,675,753
Africa	0.0%	0.1%	0.4%	5.0%	2.4%
Asia	1.8%	2.6%	4.9%	31.2%	15.8%
Central Asia	.	.	.	0.4%	0.2%
Eastern Asia	1.7%	1.8%	2.1%	9.8%	5.5%
Southeastern Asia	.	.	0.5%	12.7%	5.9%
Southern Asia	0.0%	0.0%	0.1%	7.7%	3.5%
Western Asia	0.0%	0.8%	0.2%	0.4%	0.4%
Europe	90.1%	88.1%	53.8%	11.9%	49.2%
Central Europe	0.4%	16.3%	4.1%	0.1%	5.6%
Eastern Europe	0.3%	15.0%	5.1%	4.4%	7.3%
Northern Europe	57.0%	26.2%	19.1%	2.7%	18.0%
Southern Europe	1.0%	19.6%	12.2%	3.1%	9.1%
Western Europe	31.5%	10.9%	13.4%	1.7%	9.3%
Latin America and the Caribbean	1.0%	2.7%	21.9%	44.4%	24.0%
Caribbean	0.6%	1.2%	4.7%	12.7%	6.8%
Central America	0.2%	1.1%	11.2%	24.5%	12.9%
South America	.	.	.	7.0%	3.2%
Middle East	.	.	.	5.0%	2.3%
Northern America	4.8%	6.2%	18.4%	1.9%	5.7%
Oceania	0.0%	0.2%	0.5%	0.5%	0.4%
Australia and New Zealand	0.0%	0.2%	0.5%	0.3%	0.3%
Melanesia	.	.	.	0.1%	0.1%
Micronesia	.	.	.	0.0%	0.0%
Polynesia	.	.	.	0.1%	0.0%
Pacific Islands, other	0.0%	0.0%	0.1%	0.0%	0.0%

Sources: US Statistical Abstract (various years), US INS (various years), and US DHS (various years)

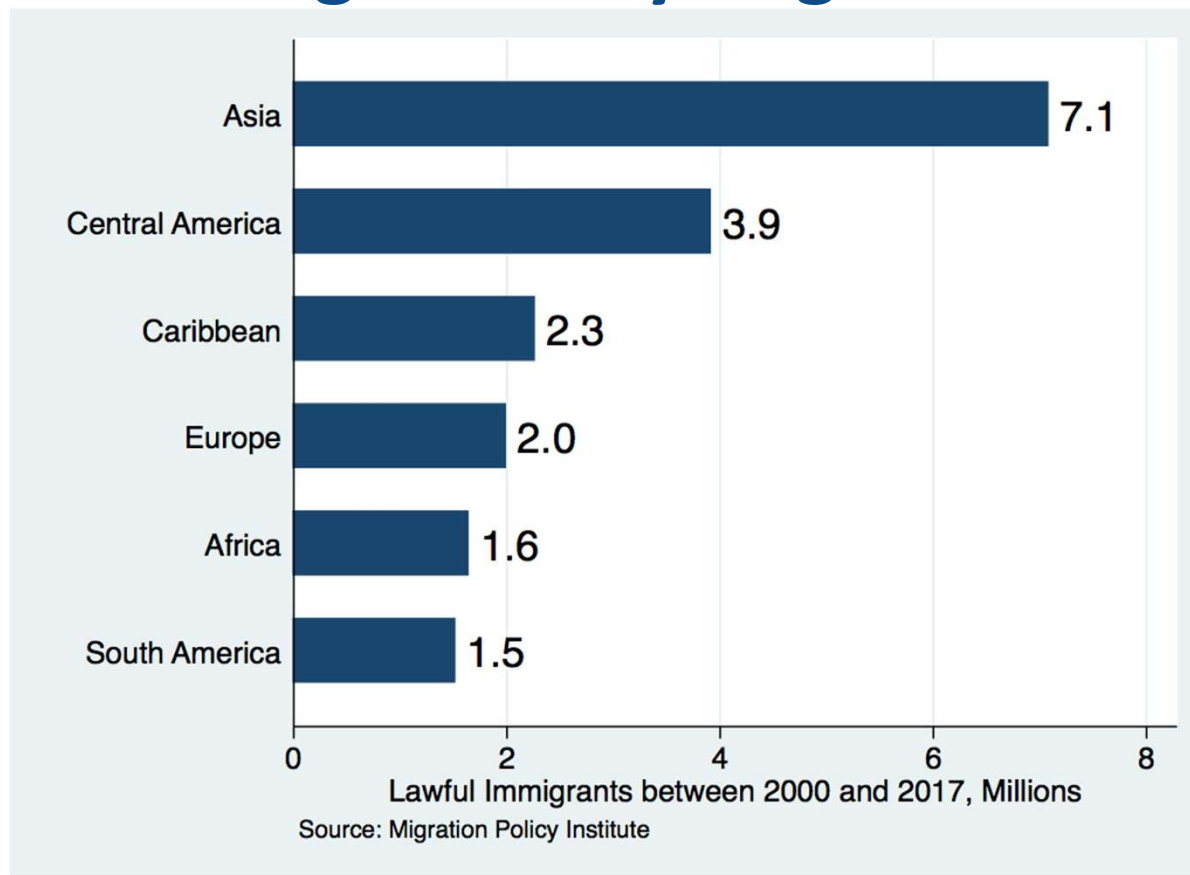
Immigrant Inflow Shares, 1820-2015



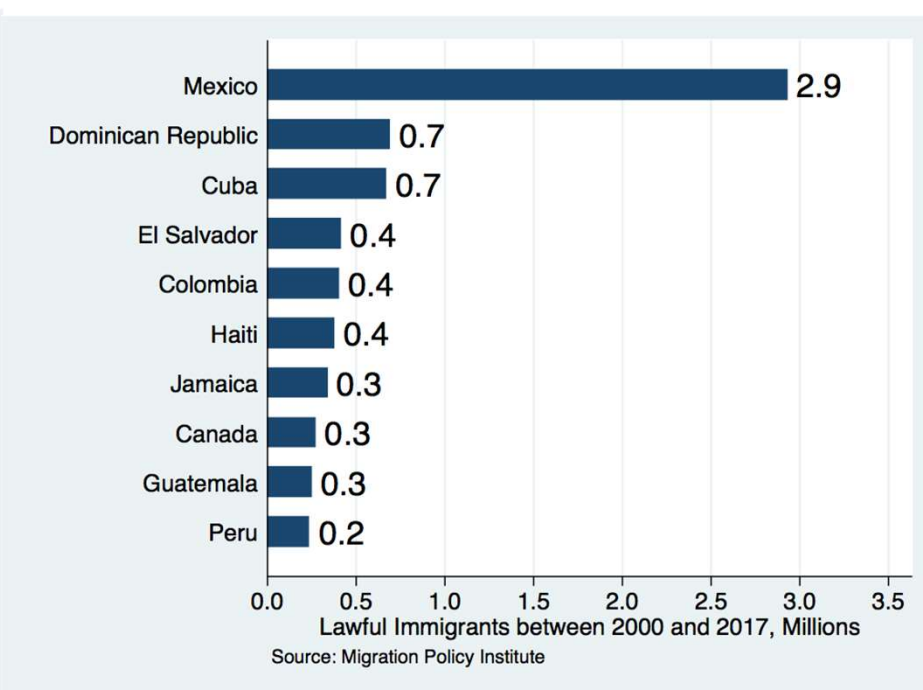
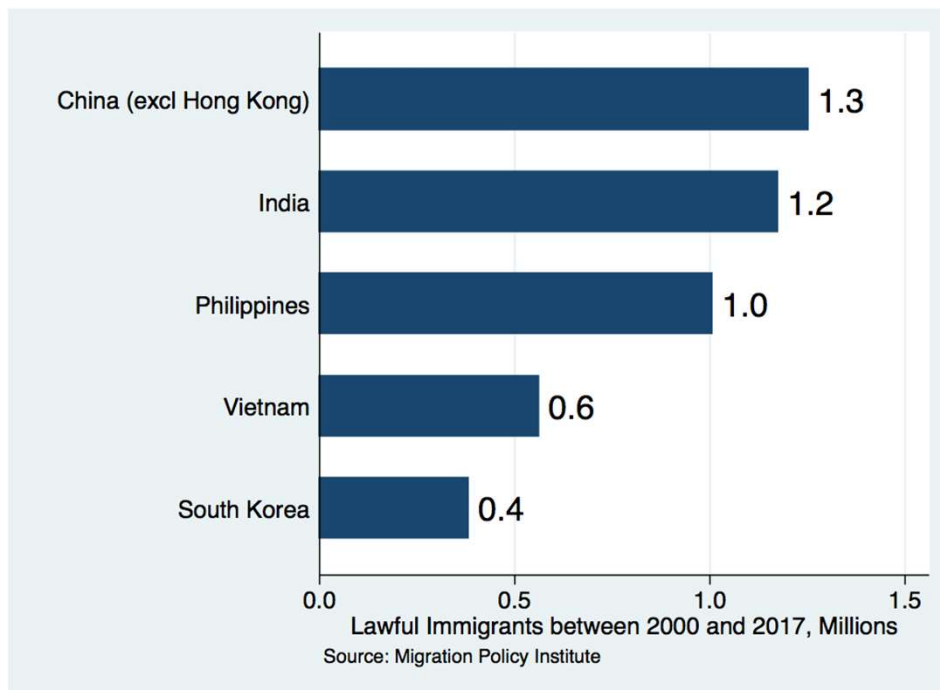
Recent Trends in Authorized Immigration



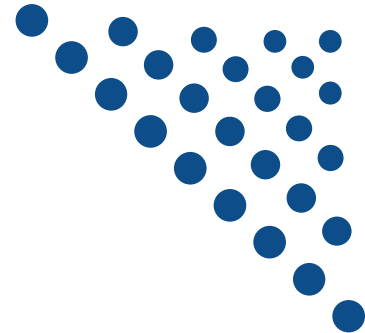
Authorized Immigration by Region



Authorized Immigration by Source

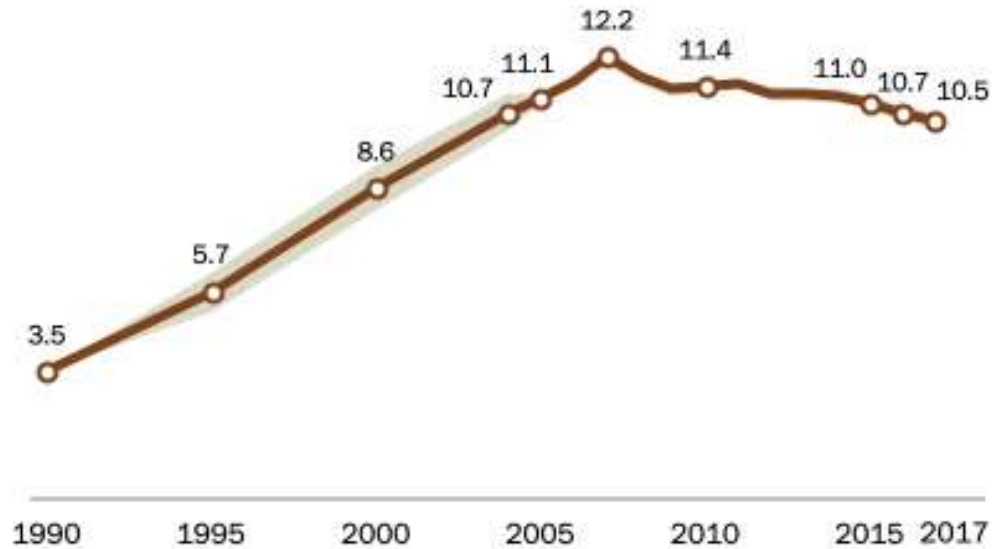


U.S. Unauthorized Immigration Totals



U.S. unauthorized immigrant total rises, then falls

In millions

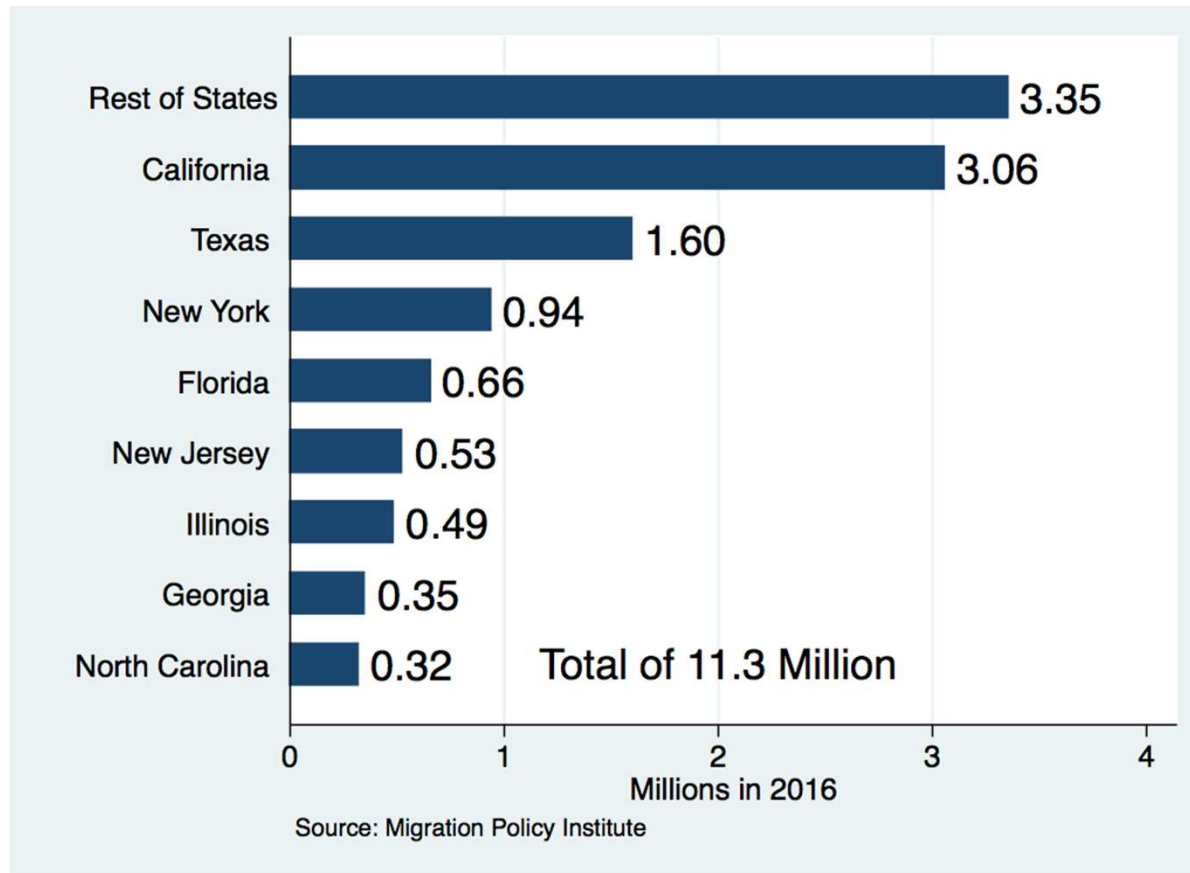


2018: 11.4 million
(US DHS).

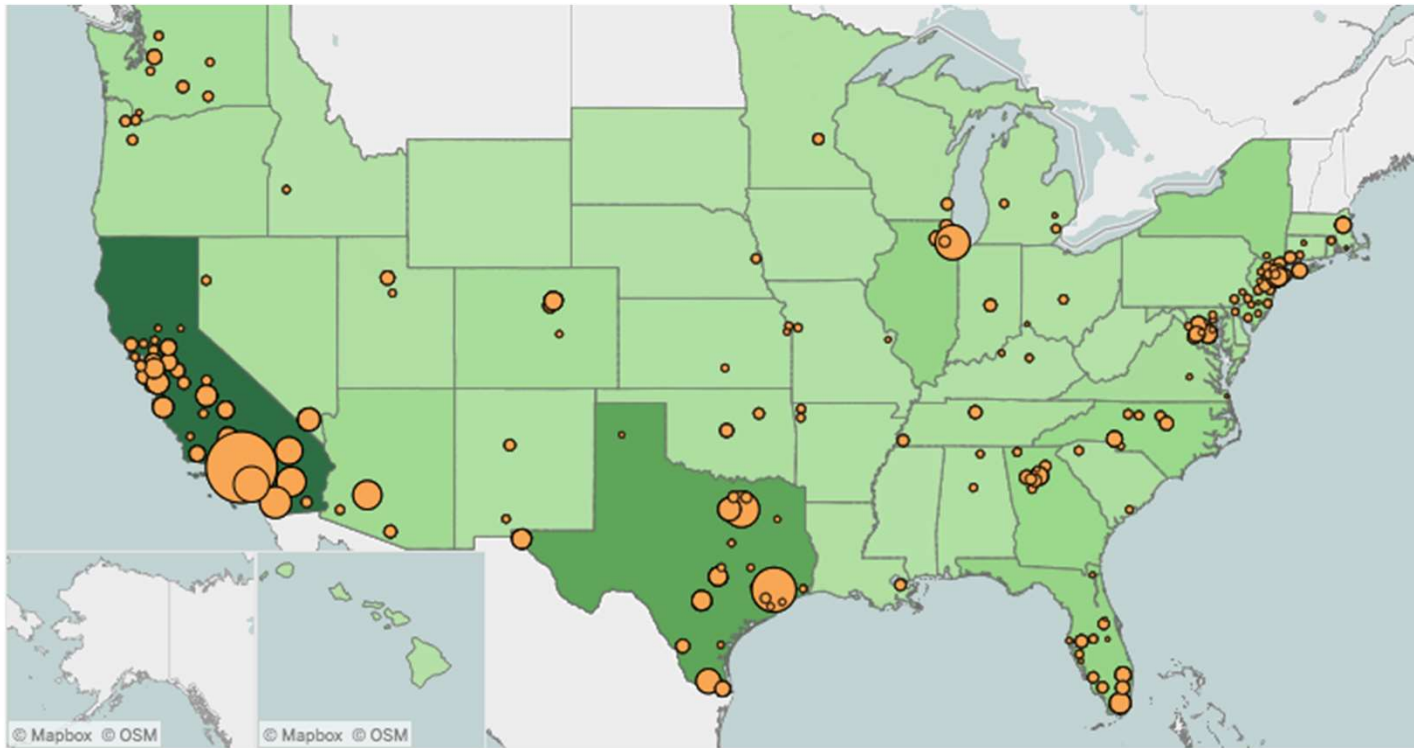
Note: Shading shows range of estimated 90% confidence interval.
Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

PEW RESEARCH CENTER

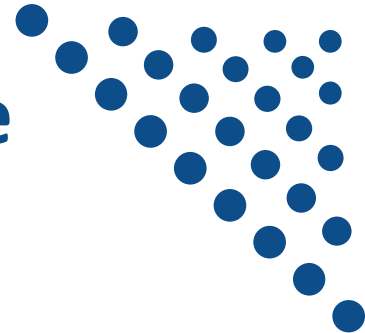
Unauthorized Immigration: Where They Live



Unauthorized Immigration: 2012-2016

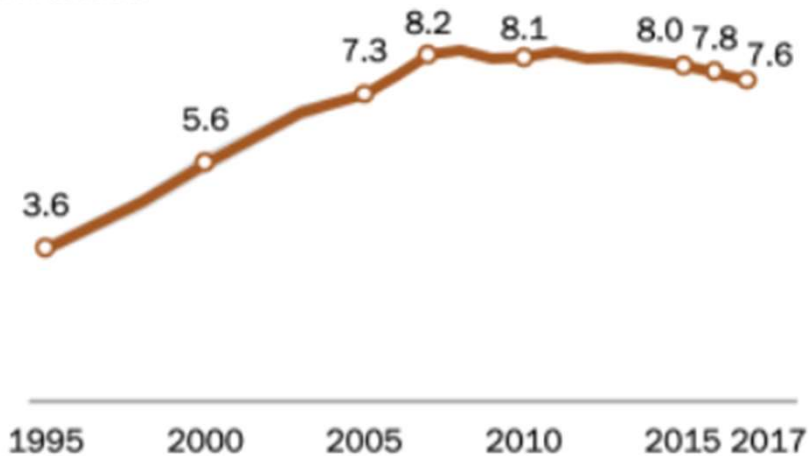


U.S. Unauthorized Immigration: Labor Force



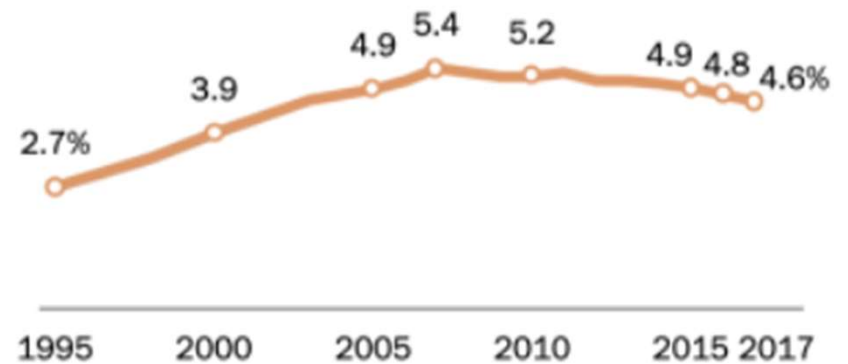
Number of unauthorized immigrants in U.S. workforce ticks down

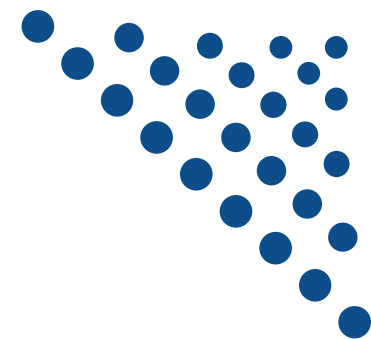
In millions



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

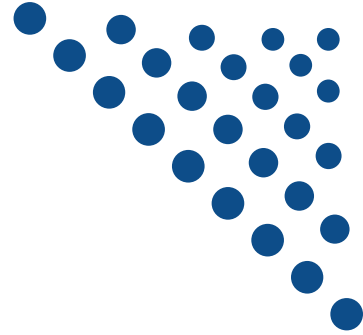
%





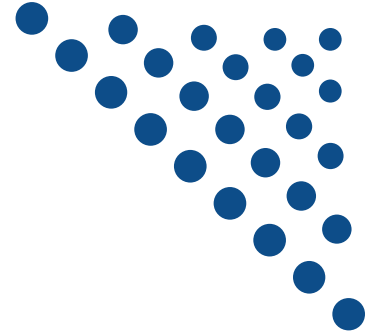
GDP, Labor markets, Trade, FDI, Innovation, Entrepreneurship, Inequality, Government Revenues and Expenditures

Two Sets of Implications



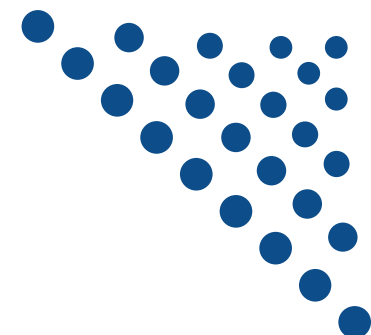
- **Aggregate effects: The size of the pie**
- **Income distribution: The size of slices of the pie**

GDP: How Does This Work?



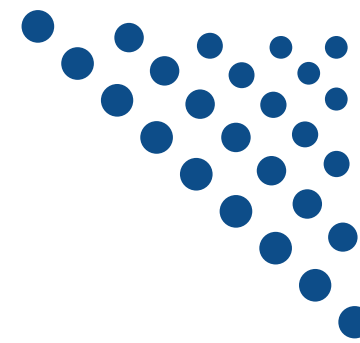
- **What determines the size of an economy?**
 - Physical capital
 - Technology/productivity
 - The number of workers
 - Immigration adds to the number of workers.
- **Number of immigrants in the labor force is high**
 - 28.2 million foreign-born persons ages 16+ in the labor force in 2018.
 - 17.4% of the total US workforce (US Census Bureau, 2019).
- **Evidence**
 - Immigrants added 11% to GDP (\$2 trillion) in 2016.

Labor Market Implications: Complicated

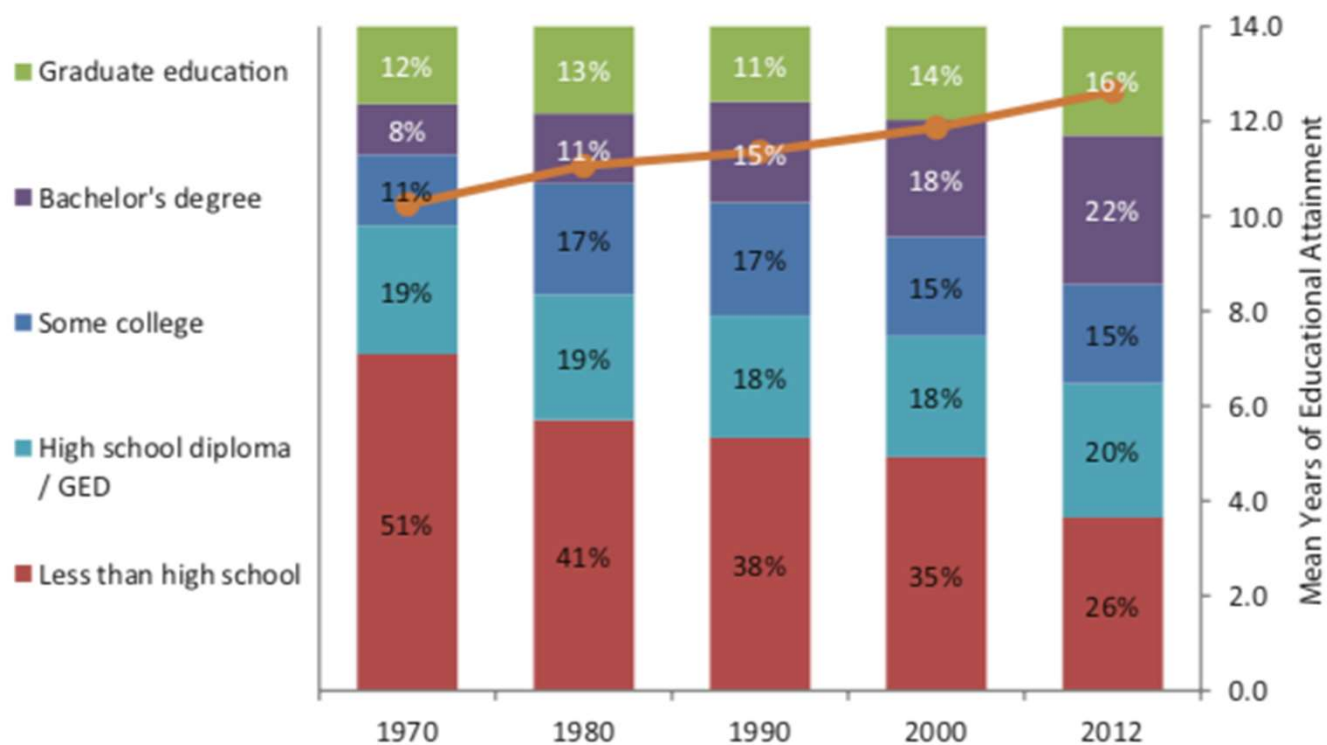


- **Depends on the type of immigrant: Skills/education**
 - Similar to native-born population?
 - Low-skilled?
 - Highly skilled?
- **Brings capital market implications**
 - Low-skilled immigrants – capital supplementing
 - Highly skilled immigrants – capital complementing

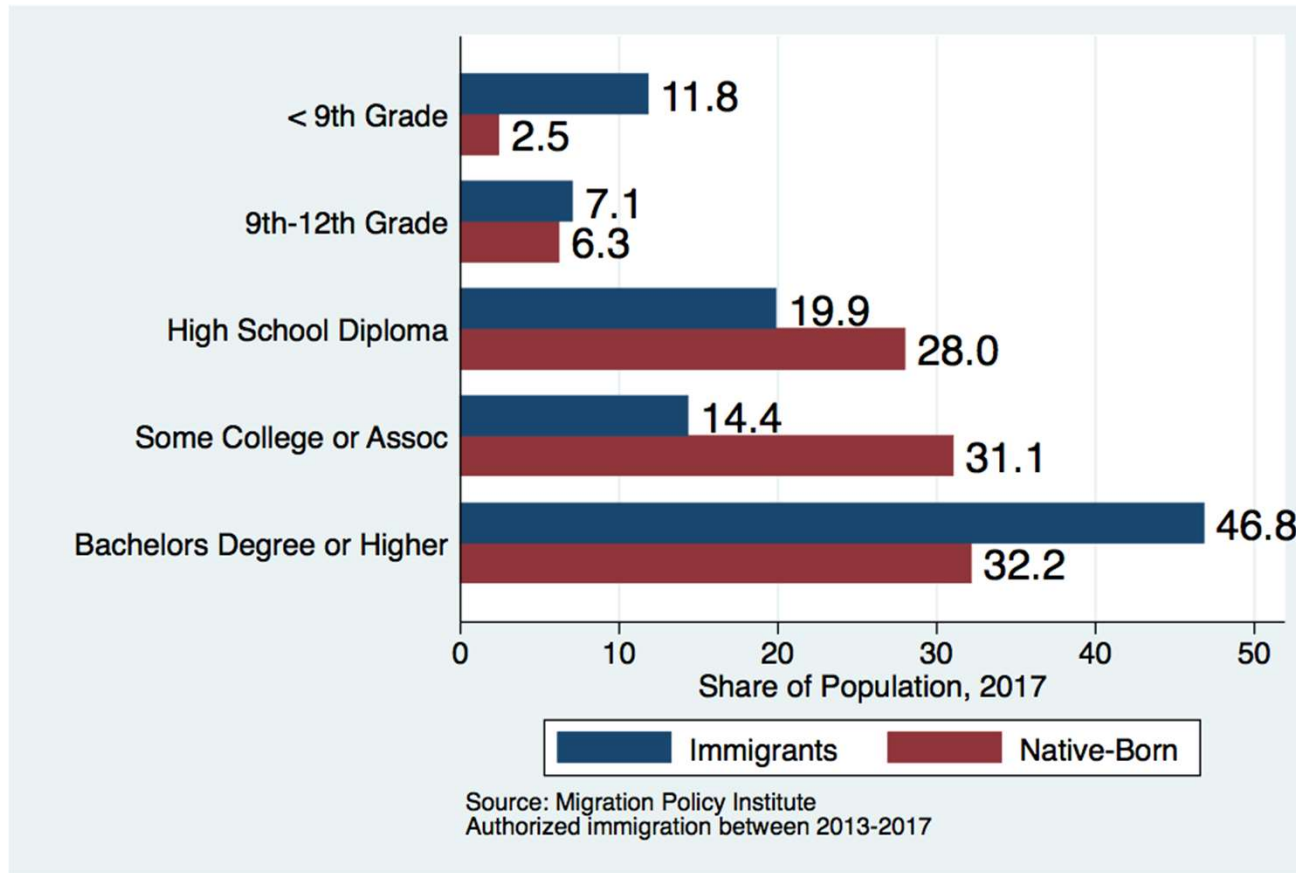
Pattern of Immigration



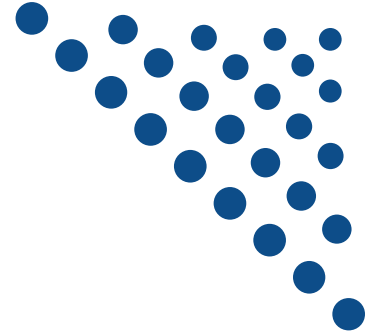
Educational Attainment of Recent Immigrants – Last 5 Decades



Recent Immigrants Are Less and More Educated



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.

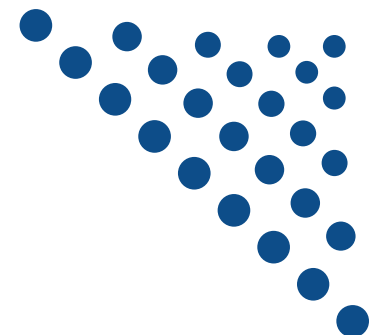
Exports, Imports, and FDI



- **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 exports to the source country.
 - Increased imports from the source country.
 - Increased flows of investment to/from the source country.
- **Migrant networks do indeed complement both trade and FDI.**

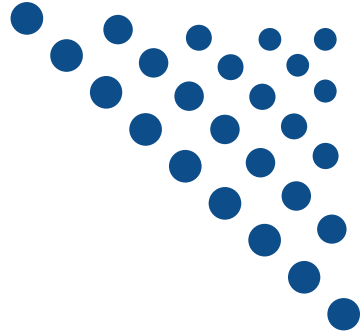


Skilled Immigrants and Innovation

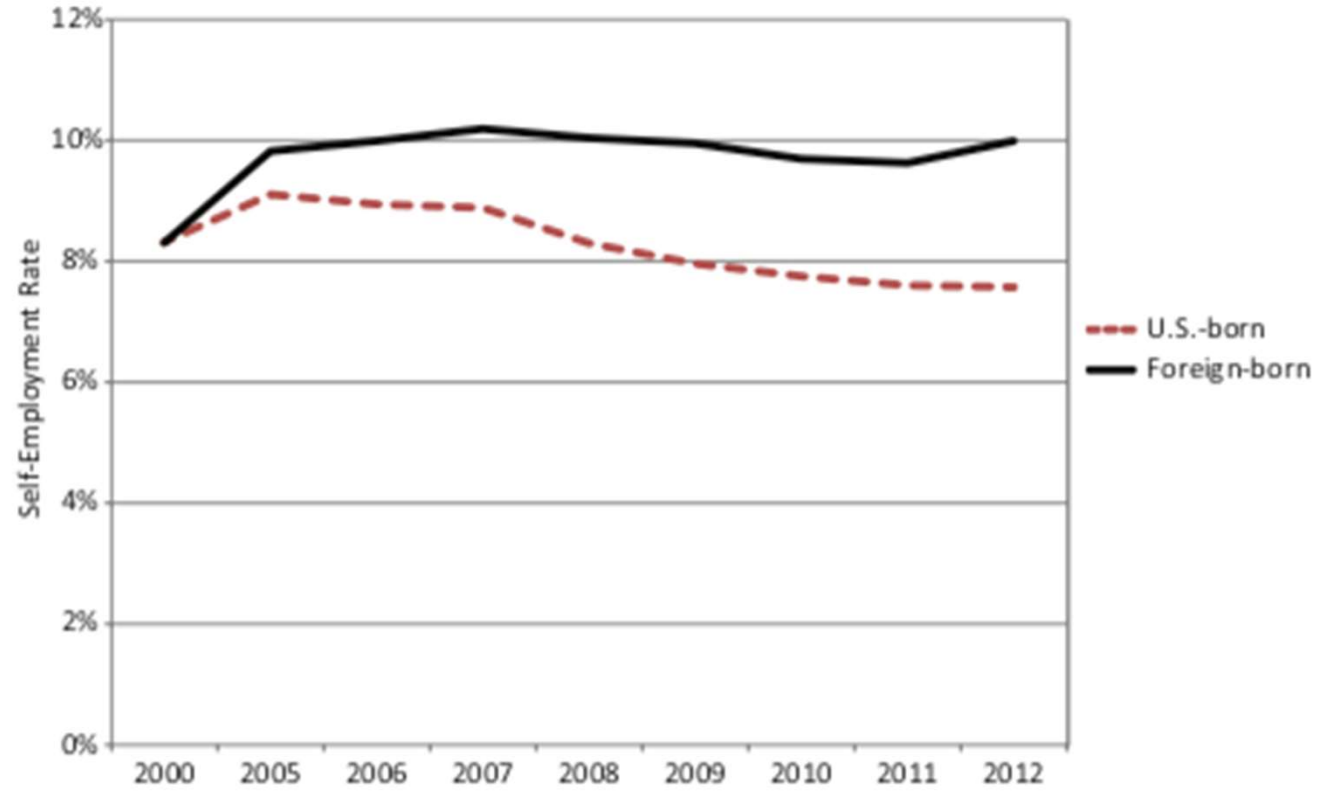


- **1% increase in the share of the immigrant college graduate population**
 - 9-18% increase in patenting per capita
 - Increased immigration increases patenting by native-born population
 - Nonetheless, the effect is positive
- **In the 1990s**
 - Increased skilled immigration can account for one-third 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.

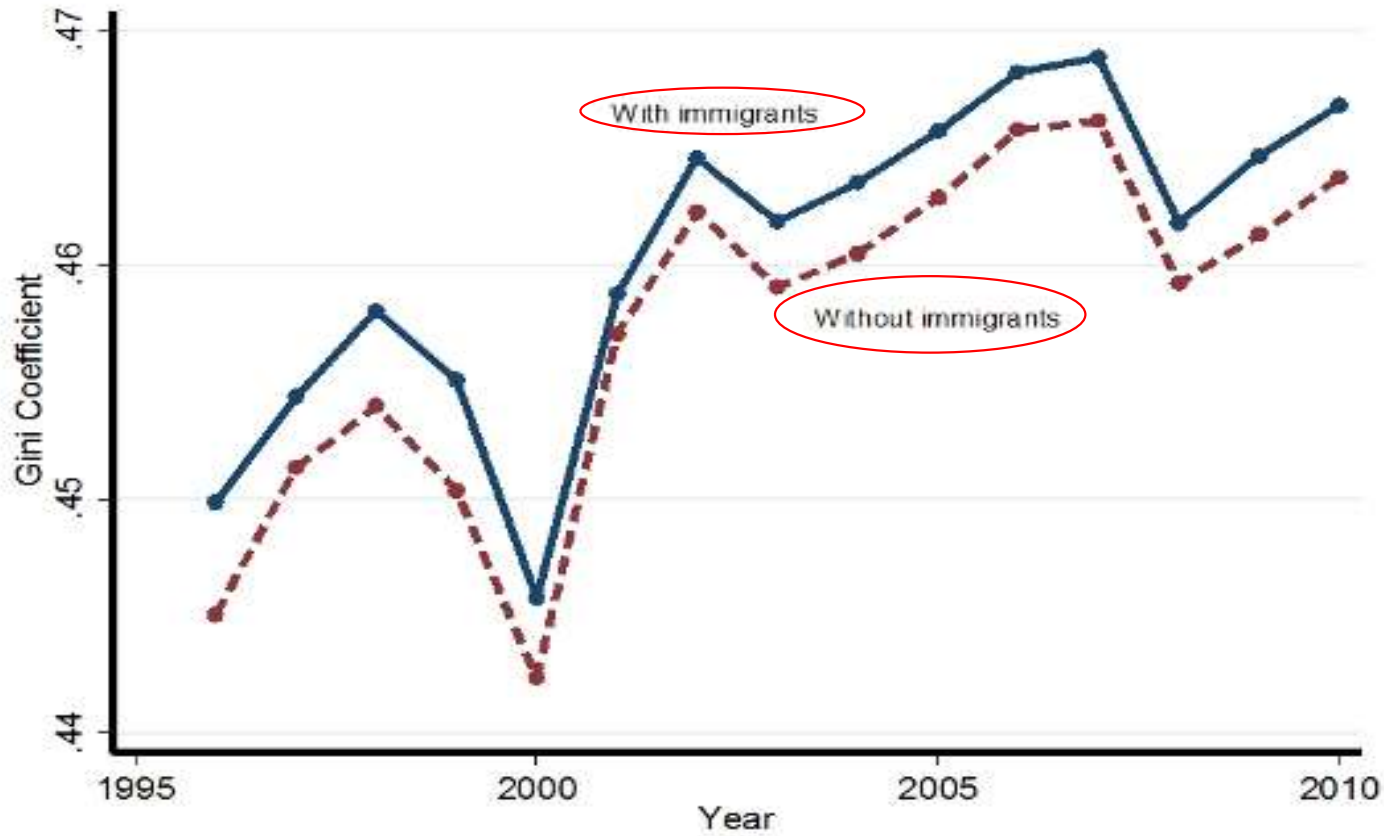
Immigrants and Entrepreneurship

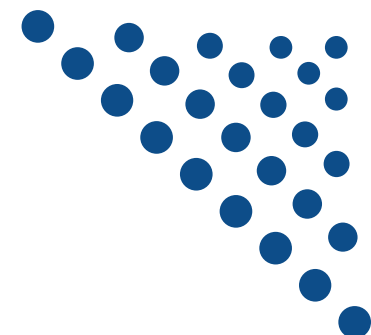


Self-Employment Rates by Nativity



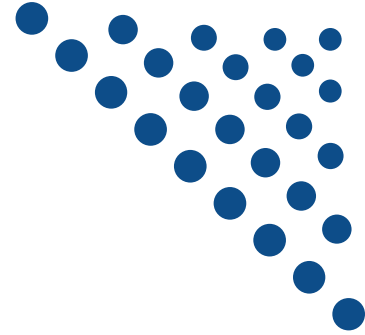
Immigration and Inequality





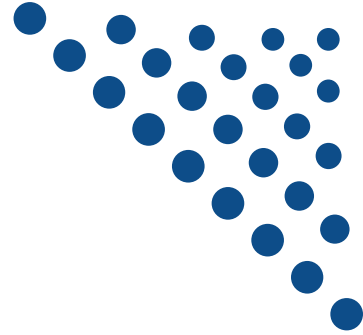
Immigration and Inequality: Summary

- **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



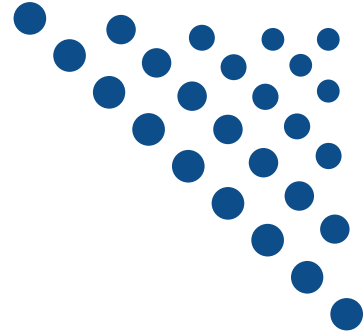
Government Revenues and Expenditures

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

Topics?



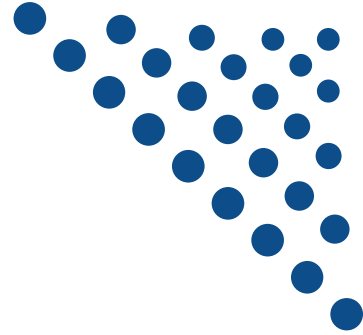
- **Basic Question:**

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

- **More complicated:**

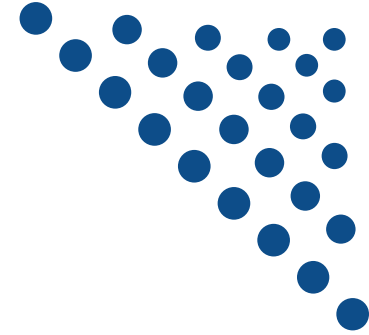
- Immigrants also affect the fiscal equation for many native-born residents.
 - Indirectly through labor and capital markets.
 - Changes in wages and the return to capital.

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



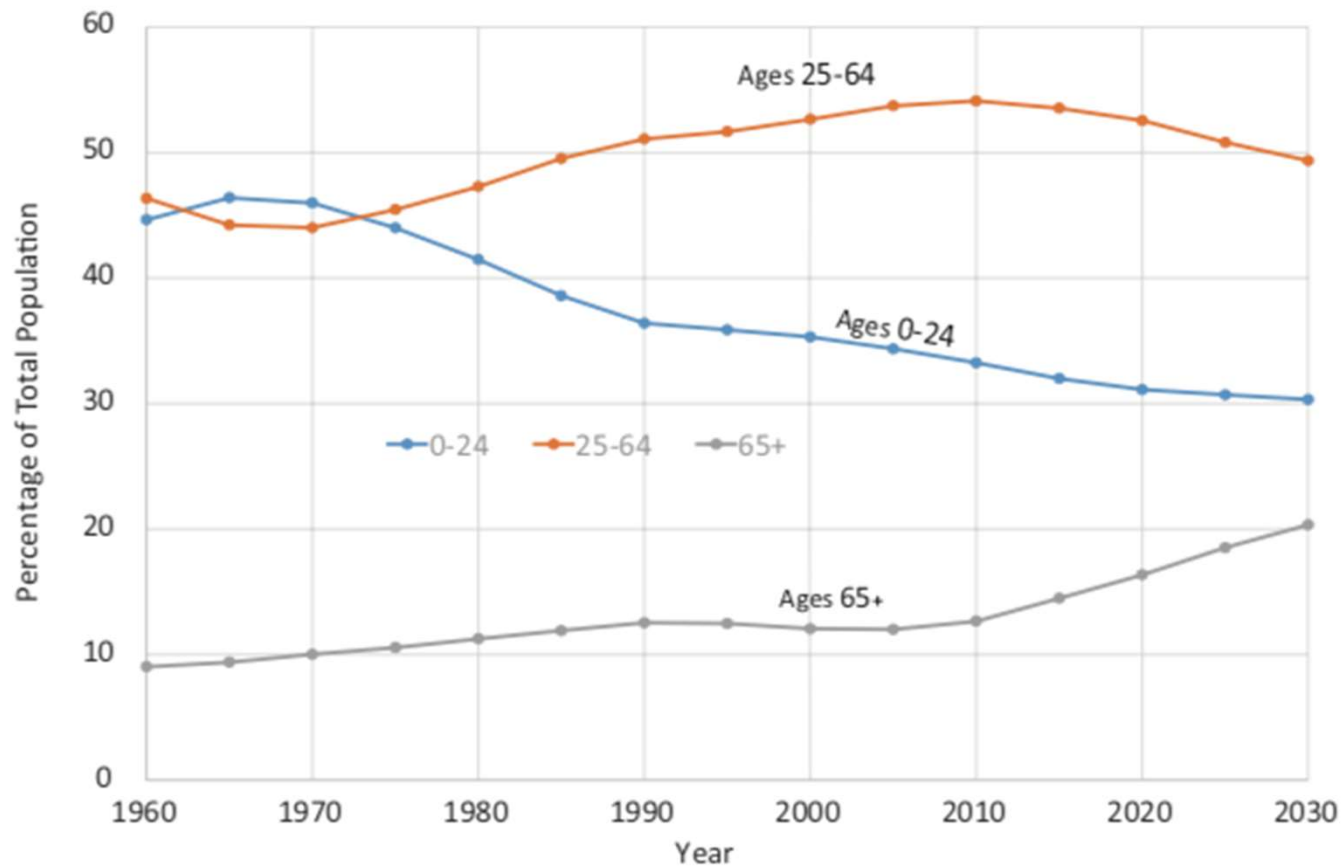
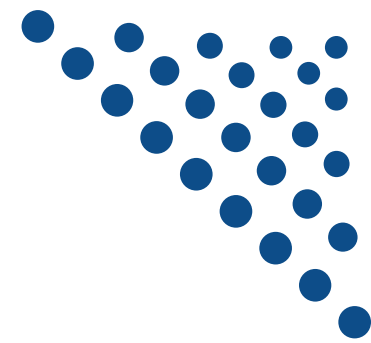
- **Federal level: fiscal impact is generally positive.**
- **State and local level: typically negative fiscal impact.**

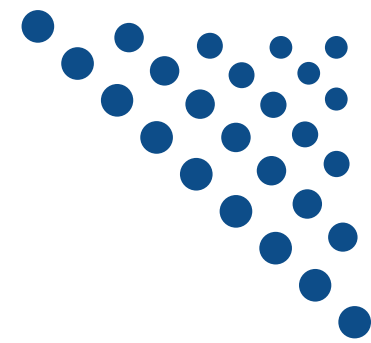


Implications for Major Federal Programs

- **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.**

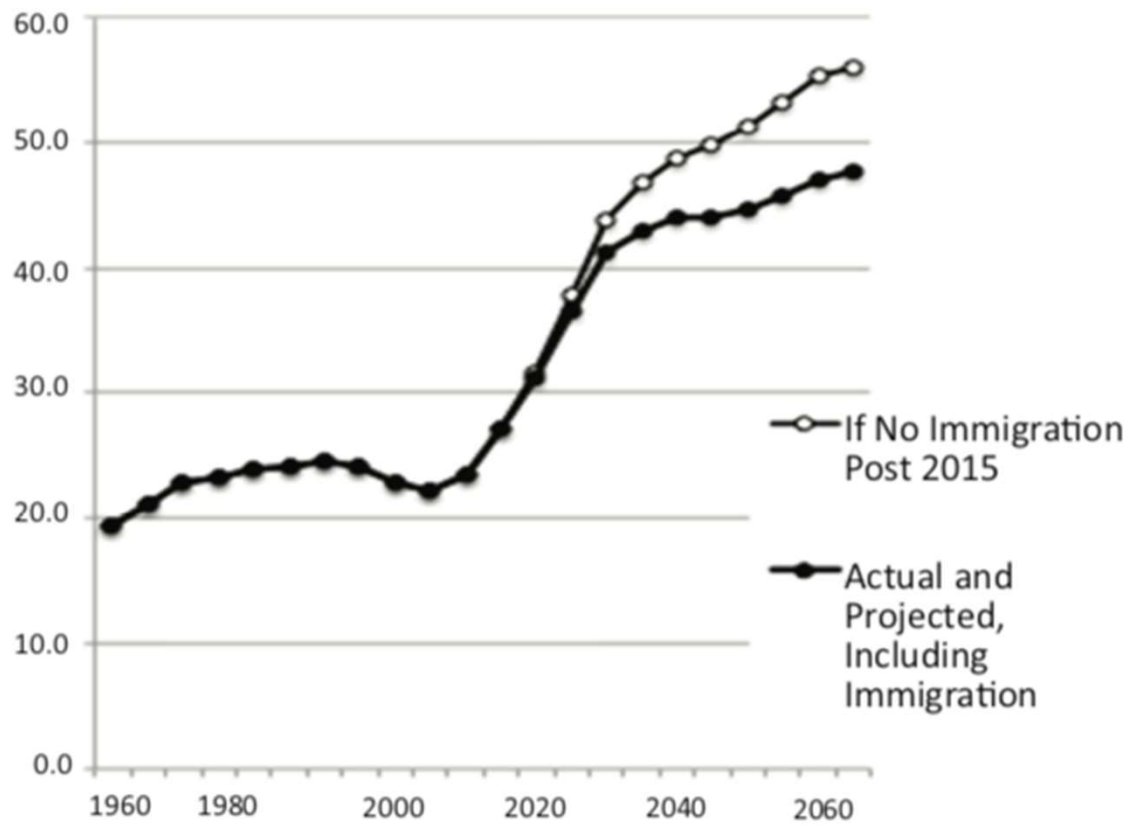
The Aging US Population





Implications for Social Security

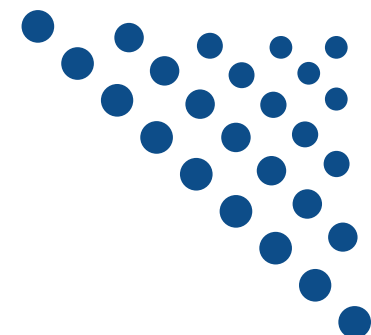
Population Age 65+ per 100 of Working Age (25-64)



Summary



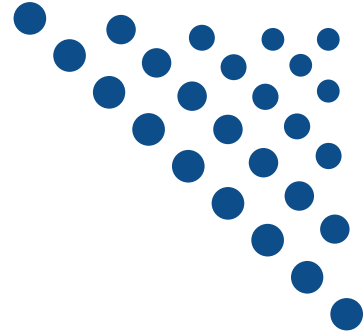
- Immigration can be thought of as increasing the population of the United States.
- This brings economic growth and opportunity, just as does increasing the native-born population.
- Including unauthorized immigrants, the supply of low-skilled workers is increased
 - This lowers the wages of low-skilled 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 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



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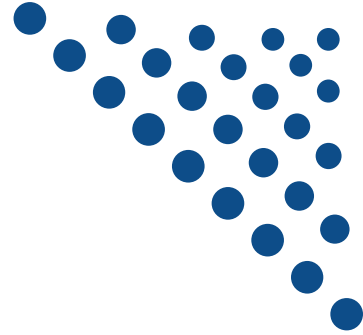
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Thank you!

Any Questions?



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