



Osher Lifelong Learning Institute, Fall 2023 **Contemporary Economic Policy**

University of North Florida
November 28, 2023

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National Economic Education Delegation



Course Outline

- **Contemporary Economic Policy**

- Week 1 (10/24): Economic Update (Geoffrey Woglom, Amherst College)
- Week 2 (10/31): Trade and Globalization (Alan Deardorff, U of Michigan)
- Week 3 (11/07): International Institutions (Alan Deardorff, U of Michigan)
- Week 4 (11/28): **Economics of Immigration (Roger White, Whittier College)**
- Week 5 (12/05): Economic Inequality (Geoffrey Woglom, Amherst College)
- Week 6 (12/12): Monetary Policy (Geoffrey Woglom, Amherst College)

Income Changes from Growing Inequality

Bottom 90%
of Households

INCOME GROUP	TOTAL LOSS/GAIN IN ANNUAL INCOME*	AVERAGE LOSS/GAIN PER HOUSEHOLD PER YEAR*
TOP 1%	\$673 billion more	\$597,241 more
96-99	\$140 billion more	\$29,895 more
91-95	\$29 billion more	\$4,912 more
81-90	\$43 billion less	\$3,733 less
61-80	\$194 billion less	\$8,598 less
41-60	\$224 billion less	\$10,100 less
21-40	\$189 billion less	\$8,582 less
BOTTOM 20%	\$136 billion less	\$5,623 less

* Compared to what incomes would have been had all income groups seen the same growth rate in 1979-2005 as they did during previous decades.
Source: Jacob Hacker, Yale University; Paul Pierson, UC-Berkeley

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.

ds1

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

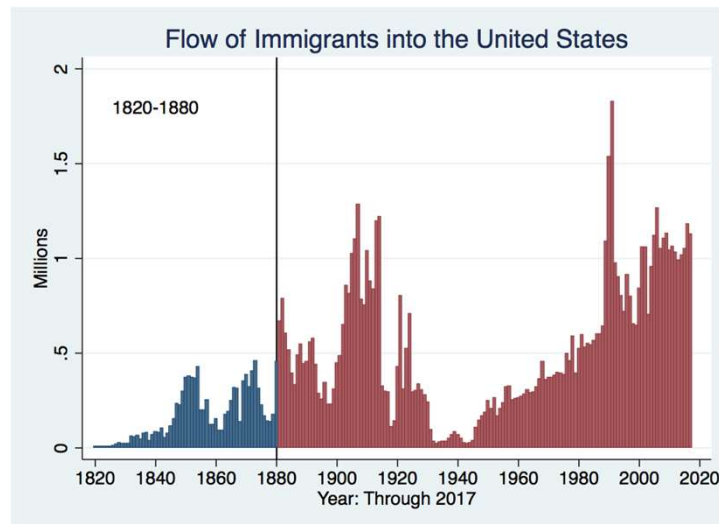
* Slave trade and clearly not voluntary or reflective of standard motivations for immigration.



Source: <https://www.libertyellisfoundation.org/immigration-timeline/>

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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



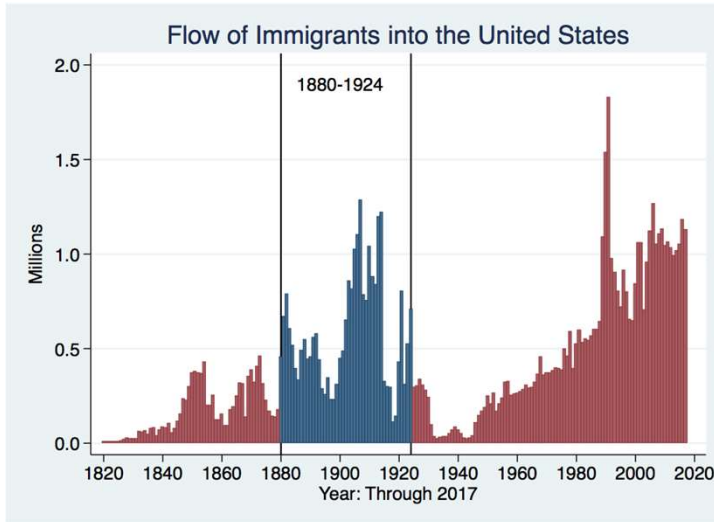
<https://www.libertyellisfoundation.org/immigration-timeline>

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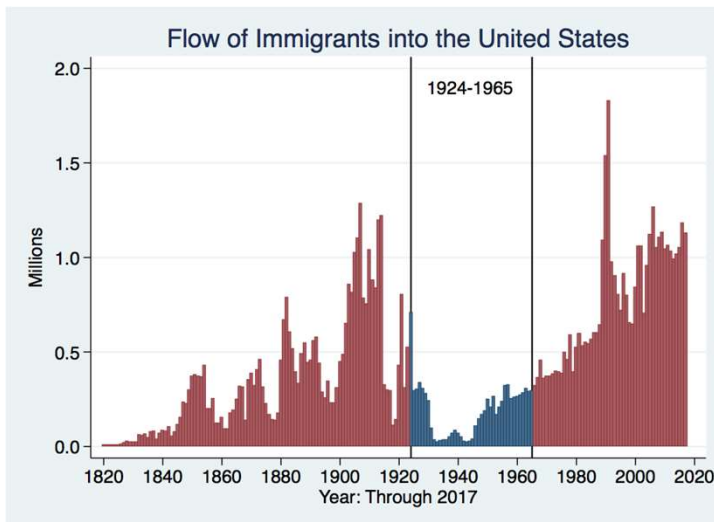
- ds1** Table wording is problematic as the heading is Source Country, but the stubs are not countries
debra soled, 10/15/2020

History of US Immigration



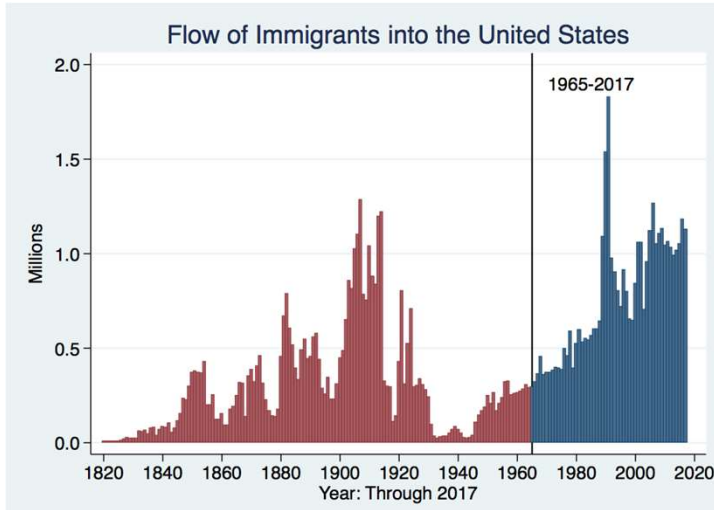
Source Countries	1880-1930
Italy	4,600,000
Austro-Hungarian empire	4,000,000
Russian empire	3,300,000
German empire	2,800,000
Britain	2,300,000
Canada	2,300,000
Ireland	1,700,000

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%)

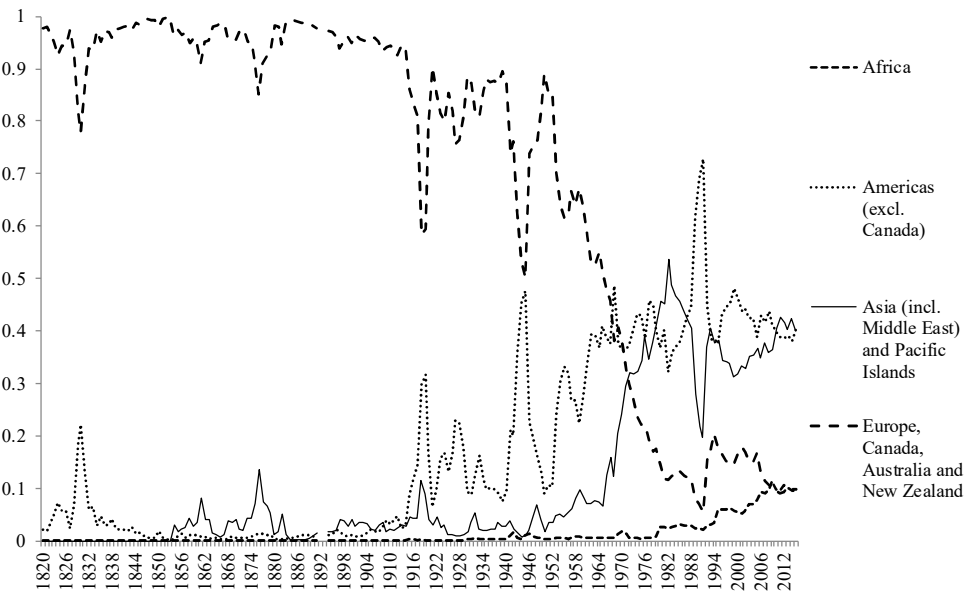
Total and Average Annual Immigrant Arrivals, 1820-2015

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%



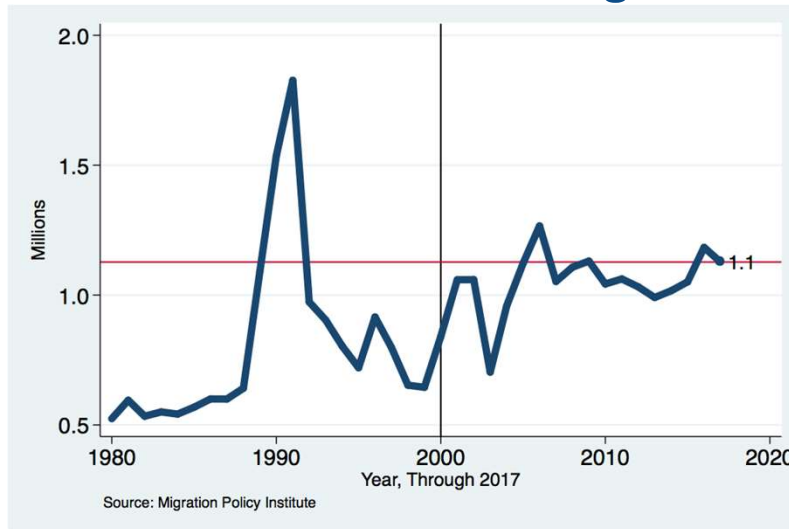
Sources: US Statistical Abstract (various years), US INS (various years), and US DHS (various years)

Immigrant Inflow Shares, 1820-2015

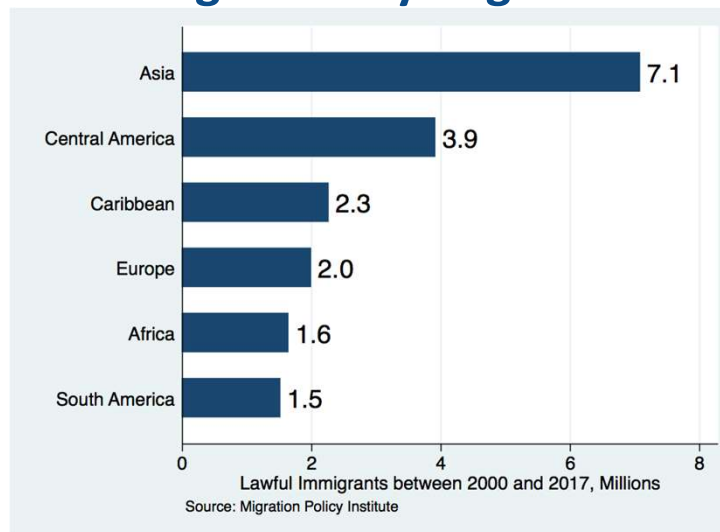


Sources: US Statistical Abstract (various years), US INS (various years), and US DHS (various years)

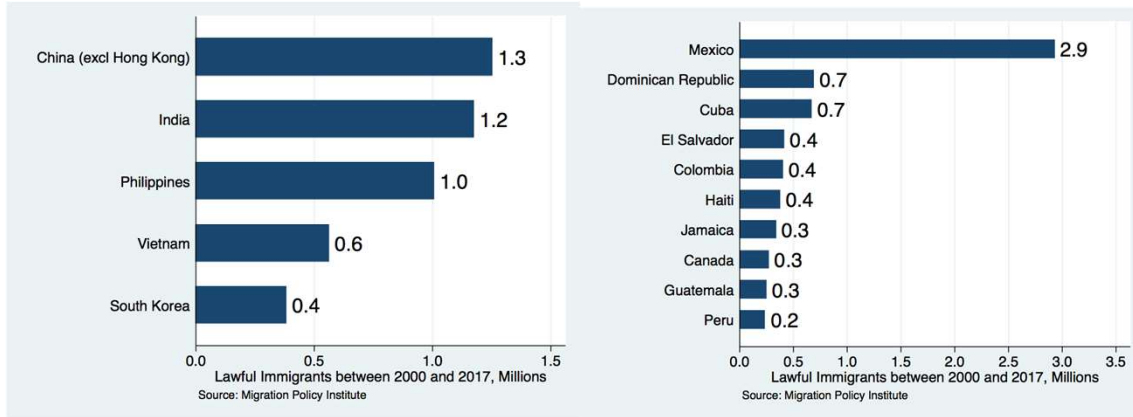
Recent Trends in Authorized Immigration



Authorized Immigration by Region



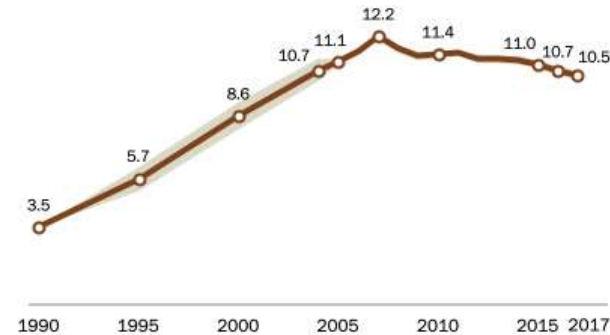
Authorized Immigration by Source



U.S. Unauthorized Immigration Totals

U.S. unauthorized immigrant total rises, then falls

In millions

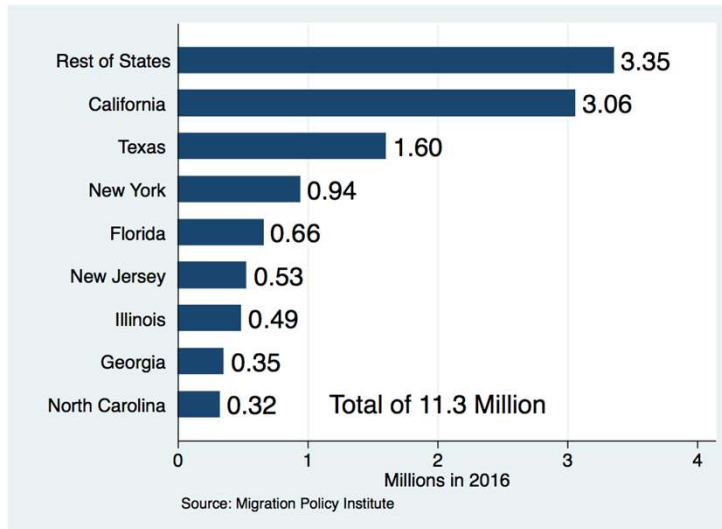


2018: 11.4 million (US DHS).

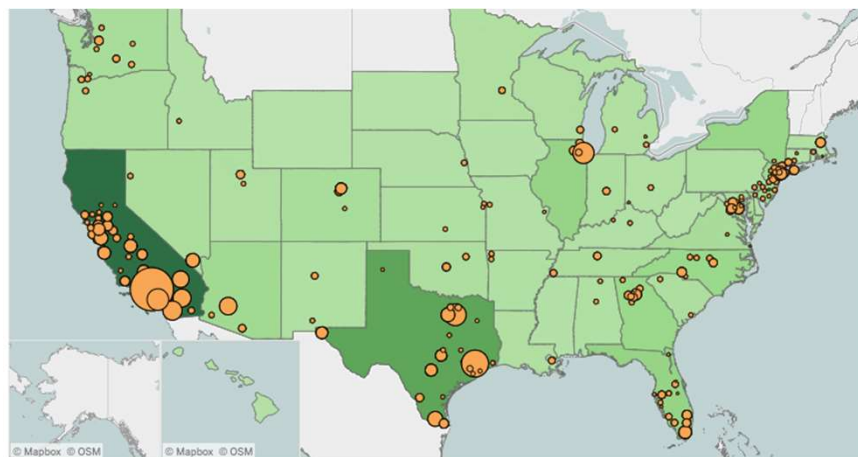
Note: Shading shows range of estimated 90% confidence interval.
Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

PEW RESEARCH CENTER

Unauthorized Immigration: Where They Live



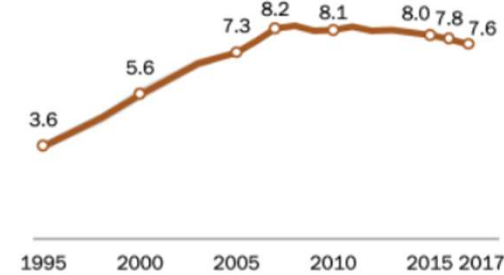
Unauthorized Immigration: 2012-2016



U.S. Unauthorized Immigration: Labor Force

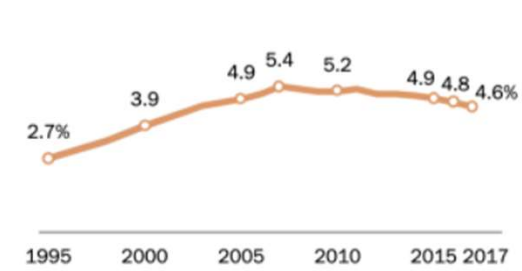
Number of unauthorized immigrants in U.S. workforce ticks down

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**

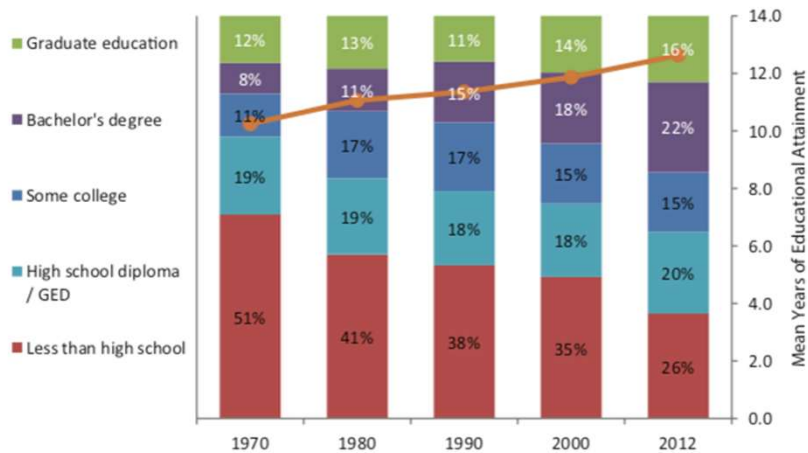
- Similar to native-born population?
- Low-skilled?
- Highly skilled?

- **Brings capital market implications**

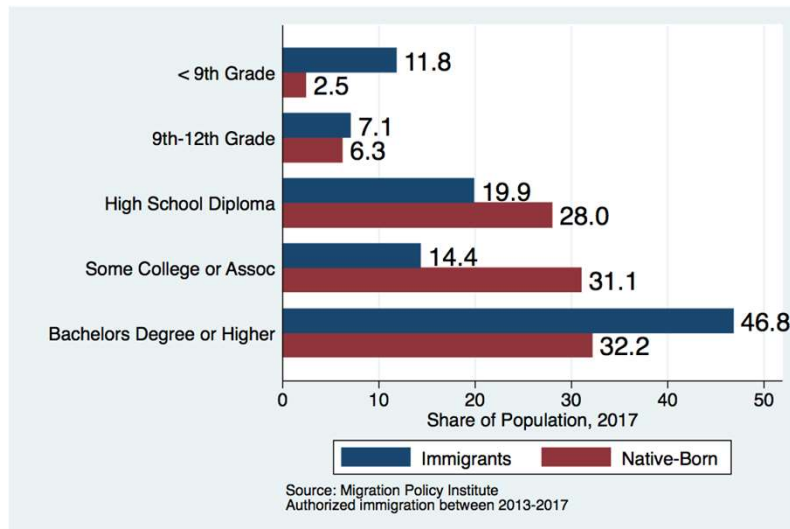
- Low-skilled immigrants – capital supplementing
- Highly skilled immigrants – capital complementing

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.**



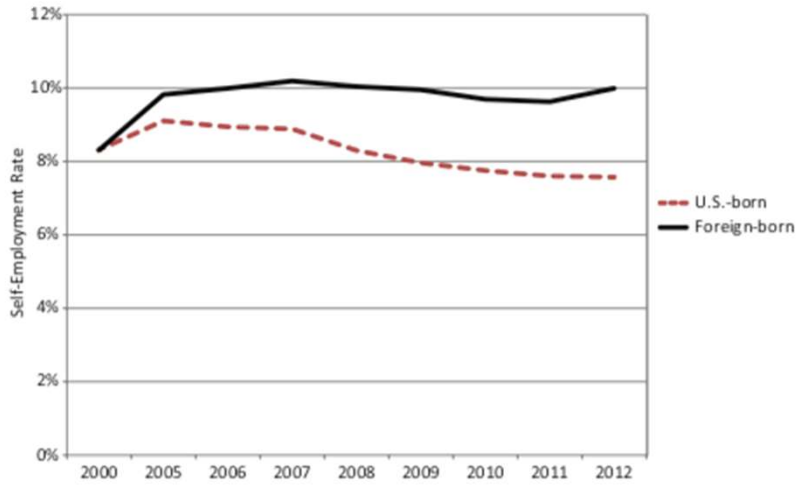
Skilled Immigrants and Innovation

- **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.

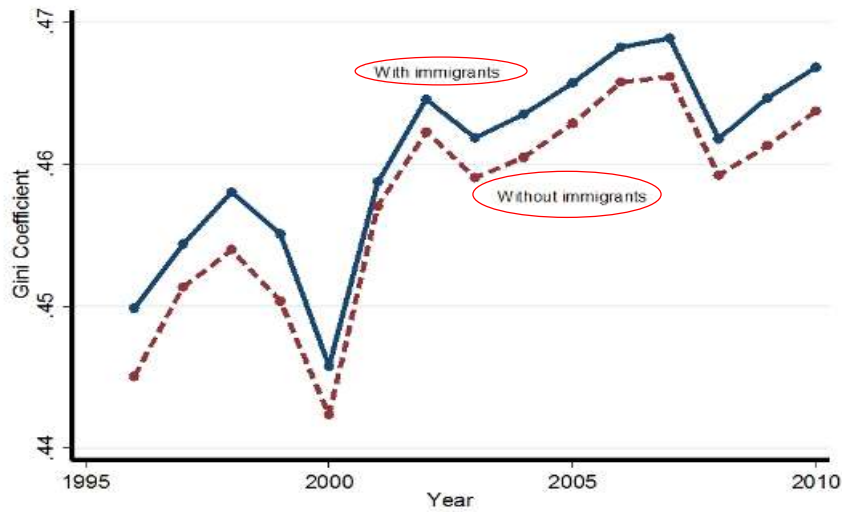


Immigrants and Entrepreneurship

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

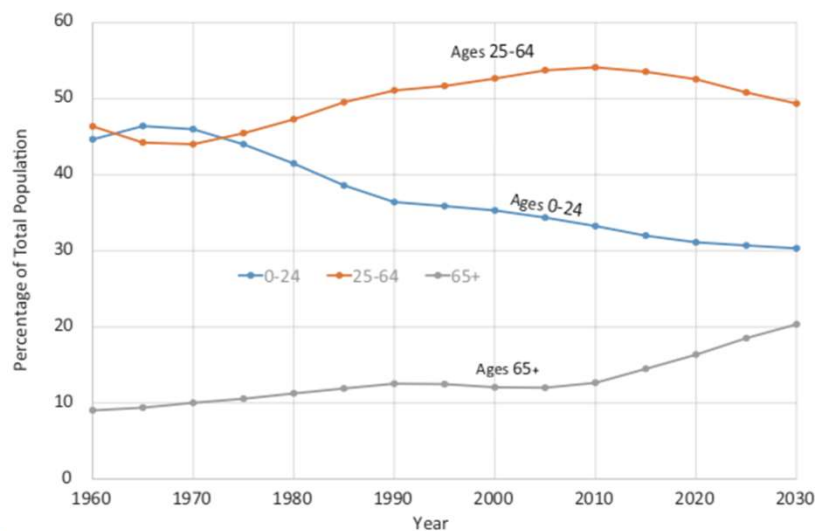
- **Federal level: fiscal impact is generally positive.**
- **State and local level: typically negative fiscal impact.**



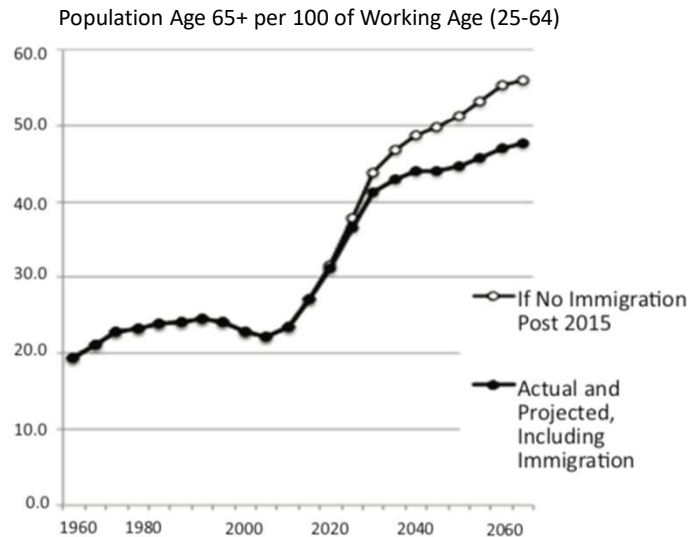
Implications for Major Federal Programs

- **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



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

- **This slide deck was authored by:**
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Thank you!

Any Questions?

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