



The Economics of Unauthorized Immigration

Rotary Club of Ross Valley
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National Economic Education Delegation





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Immigration Quiz

- What % of the U.S. population are immigrants?
 - 14%
- What % of the world's population are immigrants?
 - 3.6%
- How long has the average undocumented immigrant lived in the United States?
 - A. 3 months
 - B. 2 years
 - C. 10 years
 - D. 25 years
- 21% of children born to native parents are high-income earners (above the middle class).
- What % of kids born to immigrants are high-income earners?
 - A. 15%
 - B. 21%
 - C. 28%
 - D. 35%
- In 2021, 8% of Americans lived in poverty. What percent of immigrants lived in poverty?
 - 13%



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Source: Freakonomics – How Much Do You Know About Immigration?

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Immigration Quiz

- Immigrants are responsible for what % of patents in the United States?
 - 36%
 - 23% of inventors on record
 - 13% from increase in native born patenting
- What % of green cards go to family and employment-based immigration?
 - 66% go to family-based
- What % of the U.S. workforce are immigrants?
 - 18% (7.8% are unauthorized)
- Native-born Americans receive \$8k on average in benefits. What is it for immigrants?
 - \$6,000
- 100 years ago, most immigrants were from Europe. Today, Latin America and Asia. Is the rate of assimilation:
 - Faster? Slower? About the same?

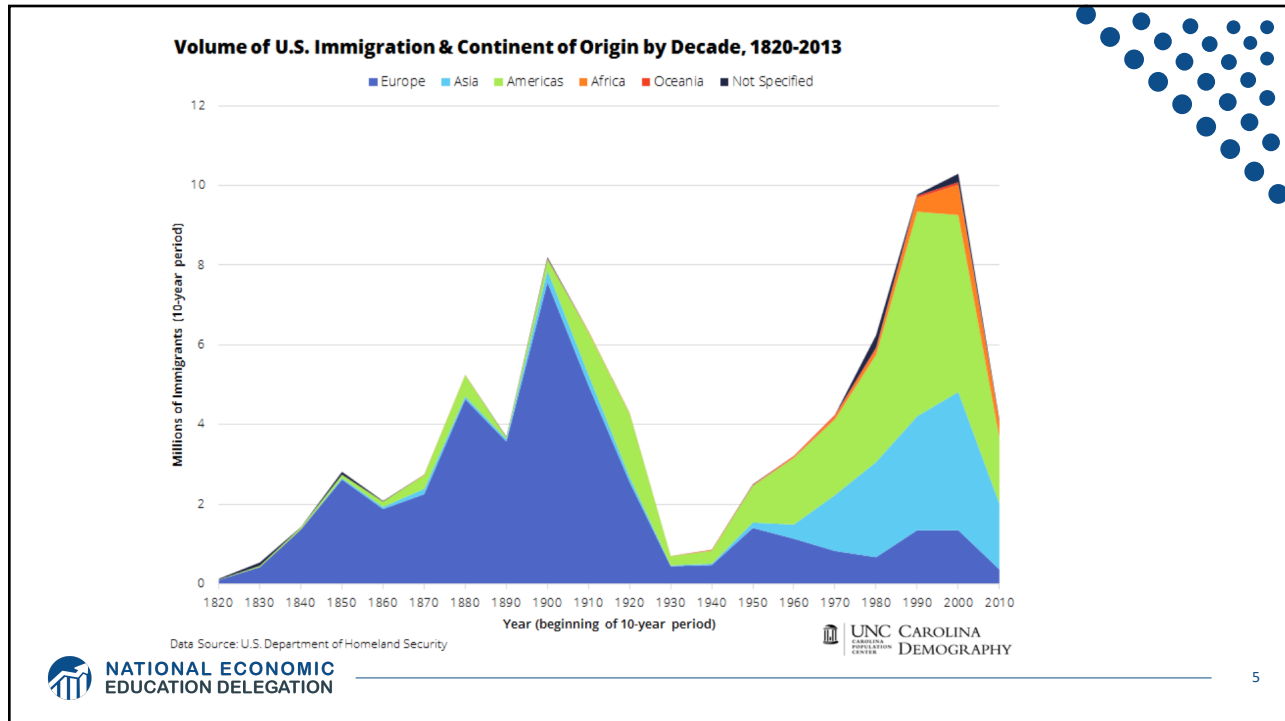


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Source: Freakonomics – How Much Do You Know About Immigration?

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Why Do People Migrate?

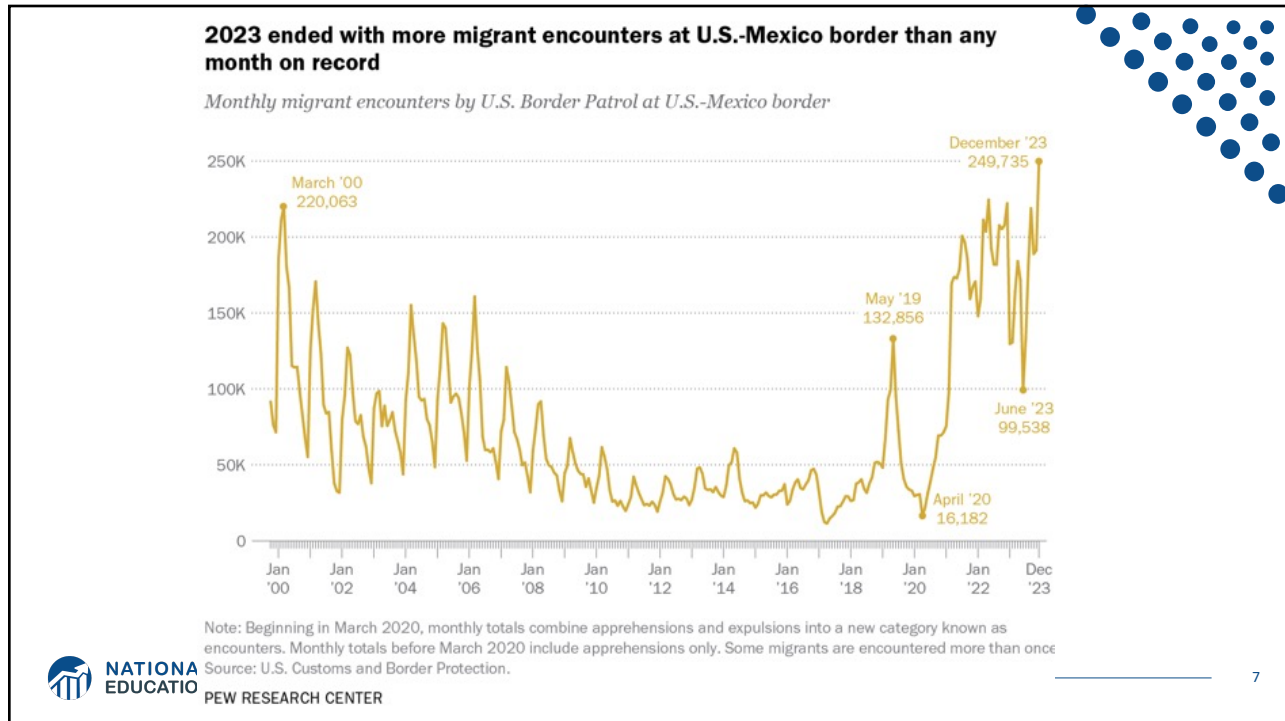
- **Push factors:**
 - Disparities in income/standards of living, and the availability of jobs, violence/war, climate change, natural disasters, population pressures, economic dislocation, religious persecution, and denial of political rights.

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

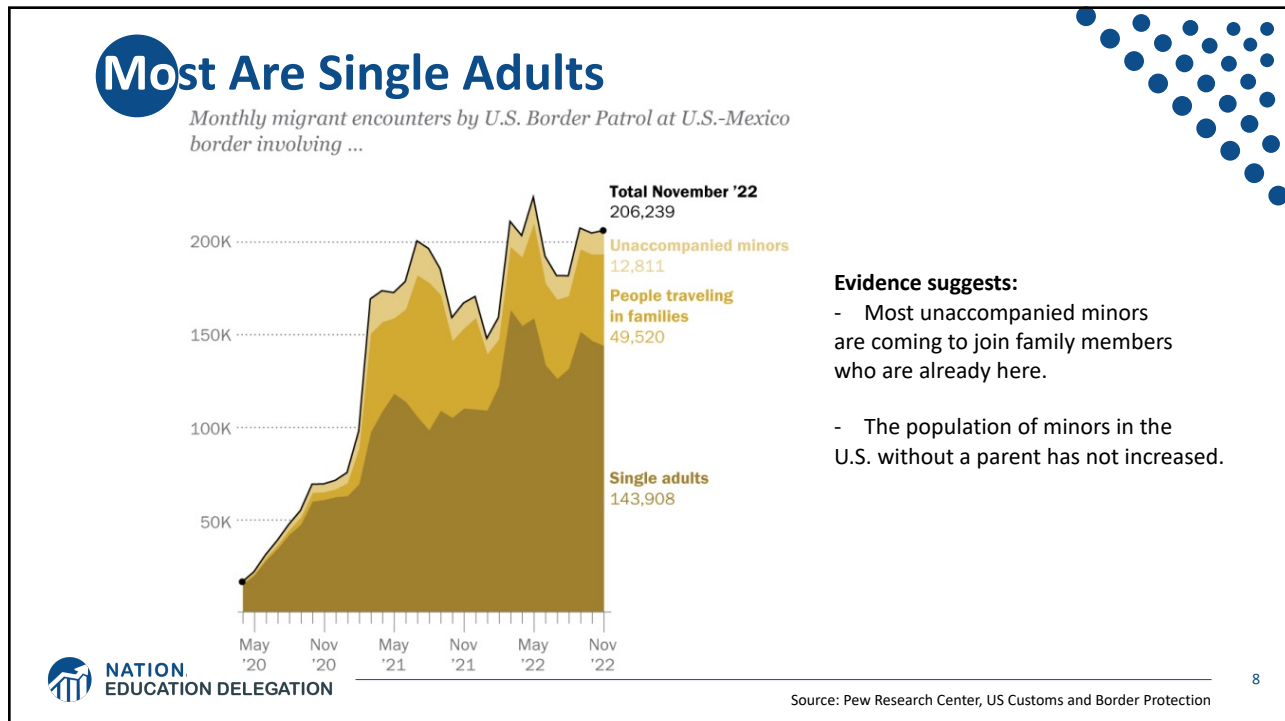
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 Source: Gilder Lehrman Institute of American History.

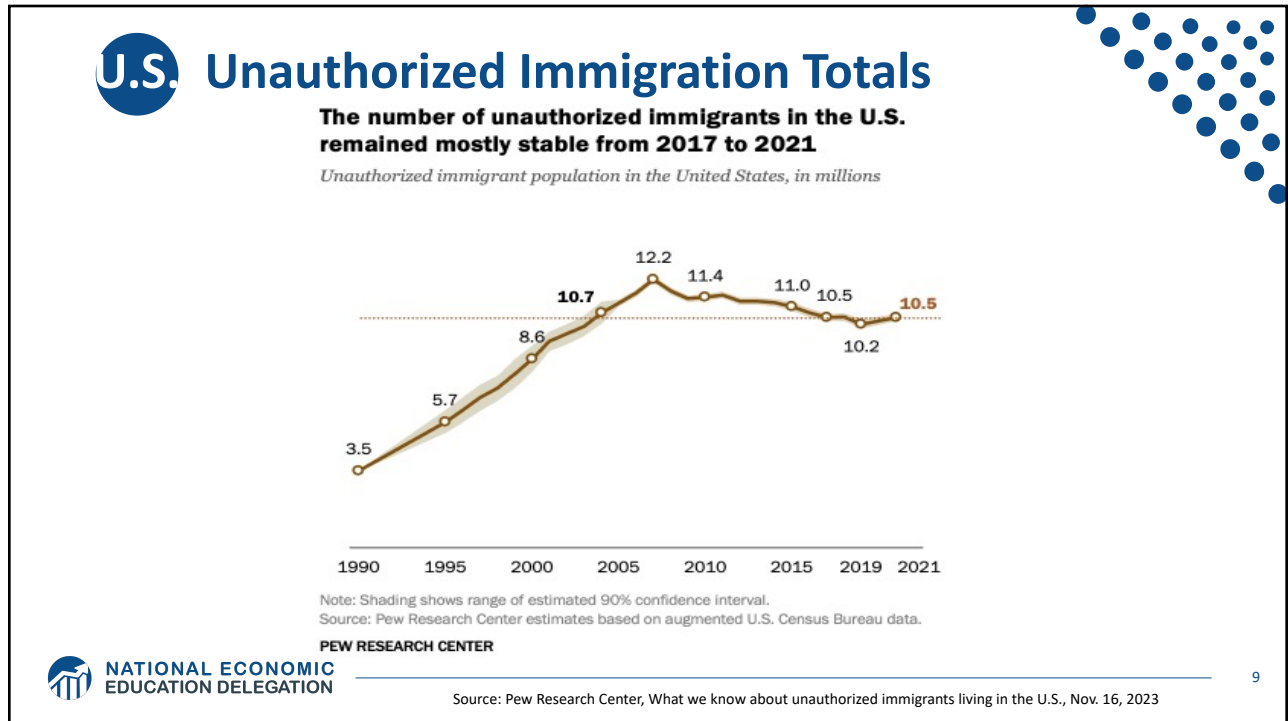
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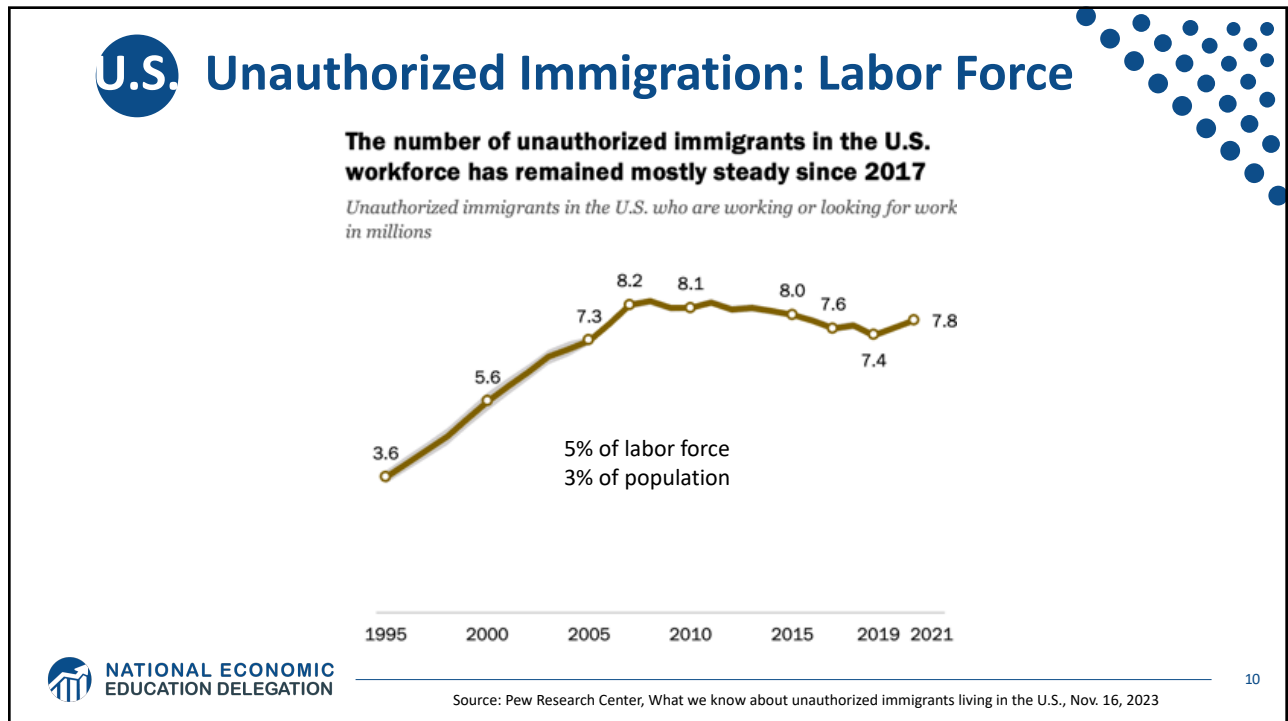
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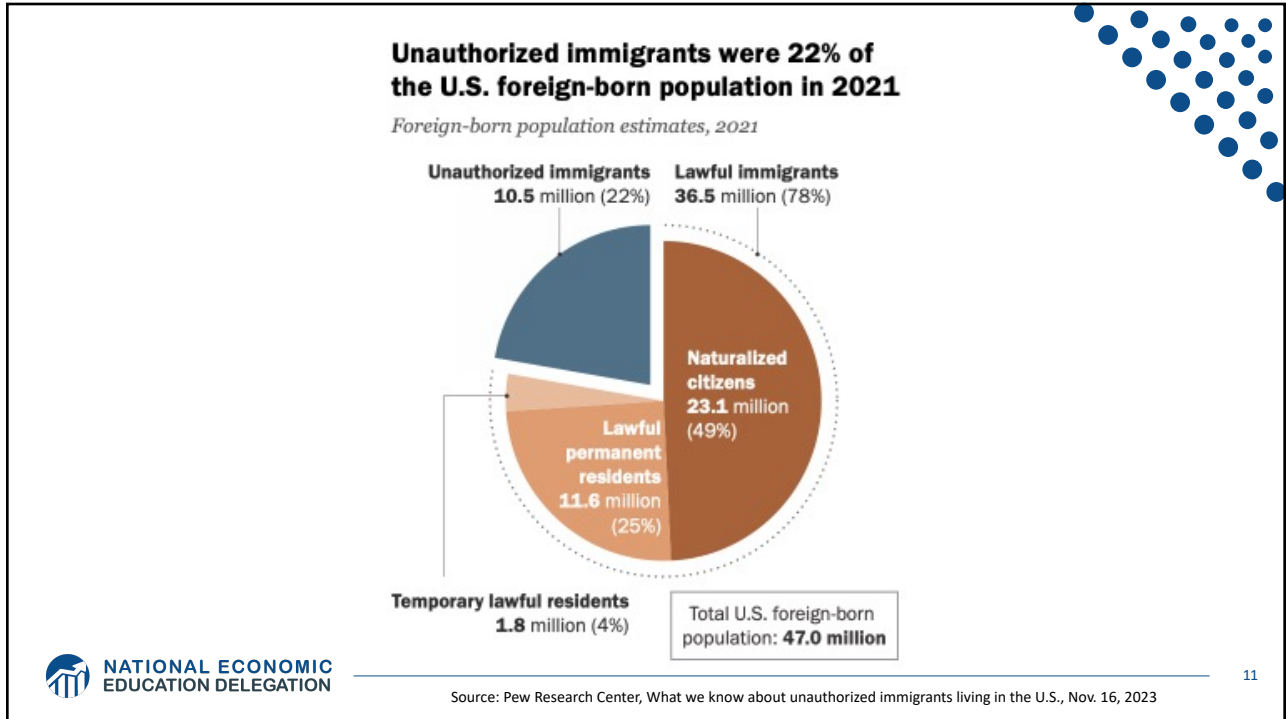
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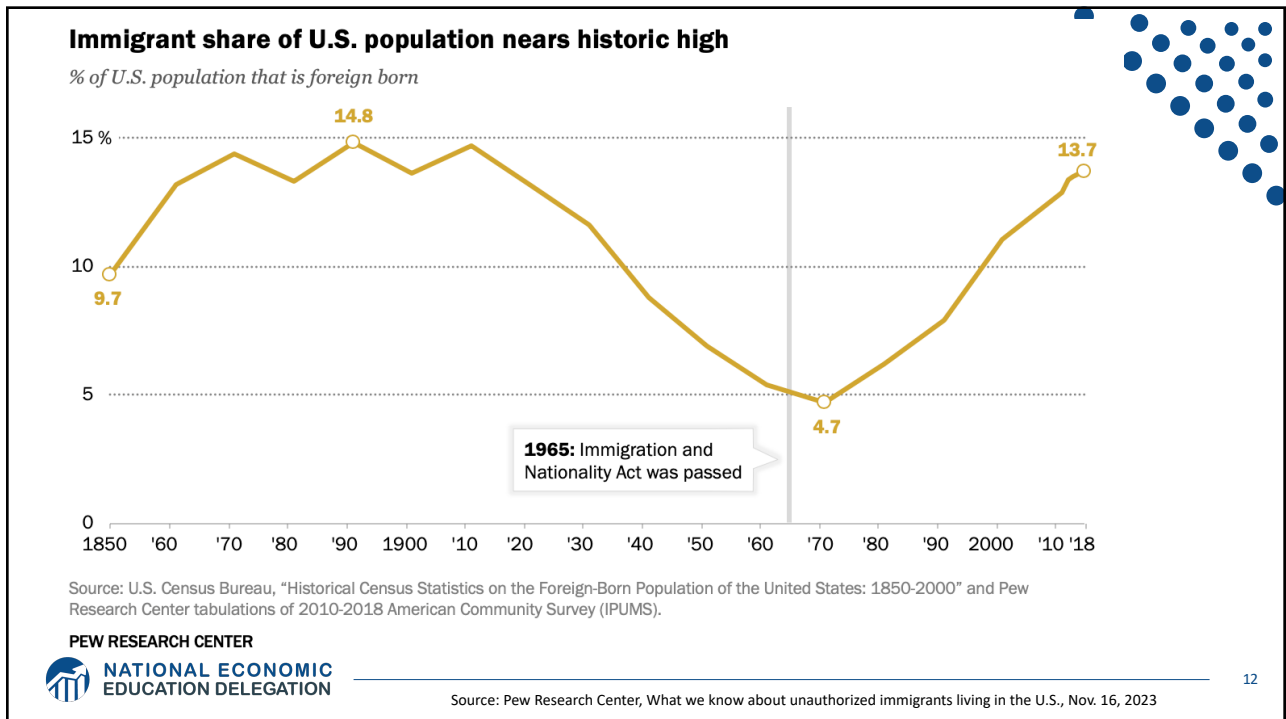
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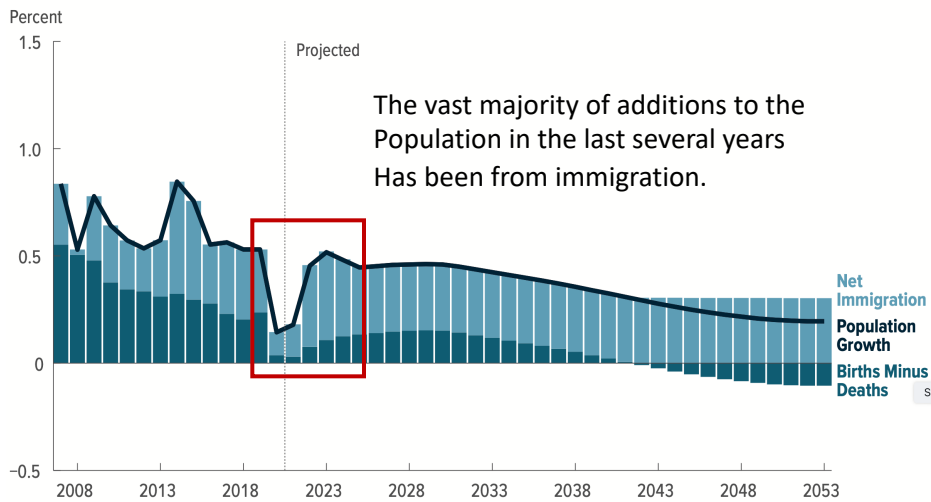
Why Do We Care? Economic Implications

- Conventional Wisdom Issues:
 - Labor markets: Wages and Jobs
 - Government Revenue and Spending
 - Crime
- Other issues (that don't get talked about much):
 - Gross Domestic Product (GDP)
 - Innovation and Entrepreneurship

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Is Immigration Saving the Day?

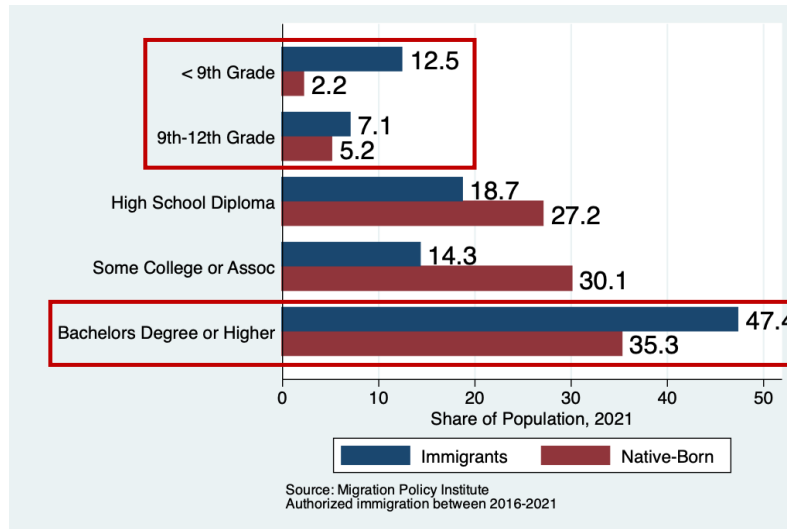
Population Growth and Its Underlying Factors



The vast majority of additions to the Population in the last several years Has been from immigration.

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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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Pathway of Wage and Employment Effects

Inflows of Low-Skilled Immigrants



Previous Immigrants



Disadvantaged Minorities



Native-born HS Dropouts



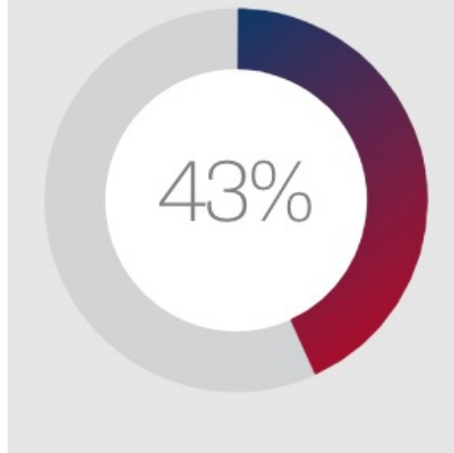
Order of Impact

Impact is negative,
But is smaller
at each step.

Positive influence on wages and employment of other workers.

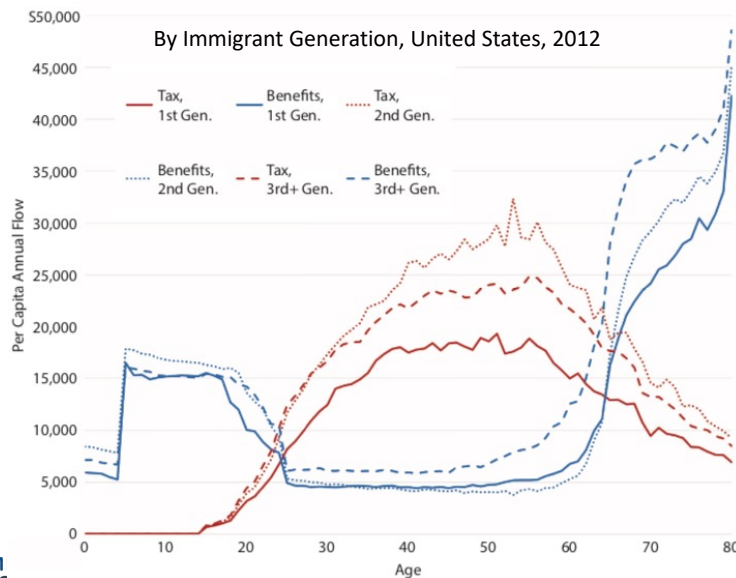
Fortune 500: First- and Second-Generation Founders

SHARE OF IMMIGRANT FOUNDERS
IN THE FORTUNE 500



Government Revenues and Expenditures

Age-Specific Taxes and Benefits



Bottom Line/Consensus of Estimates

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



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Non - Economic Implications

Patterns of Integration

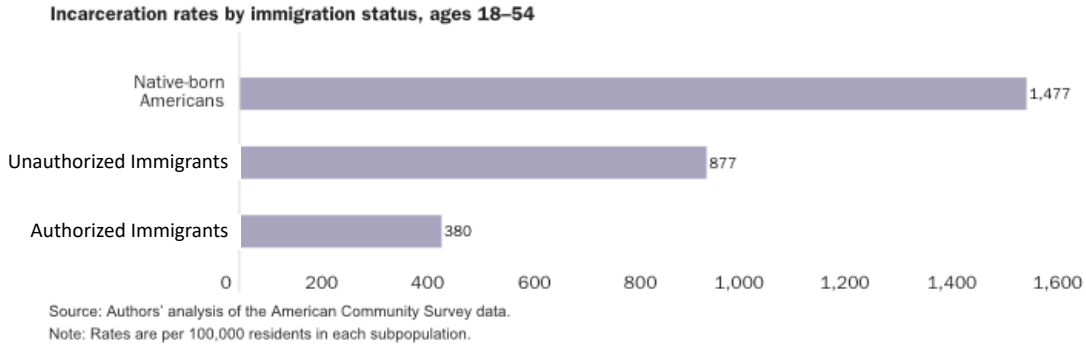
- **Education**
- **Employment and Earnings**
- **Occupations**
- **Poverty**
- **Residential Integration**
- **Language**
- **Health**
- **Family Patterns**

The Big Misconception: Crime

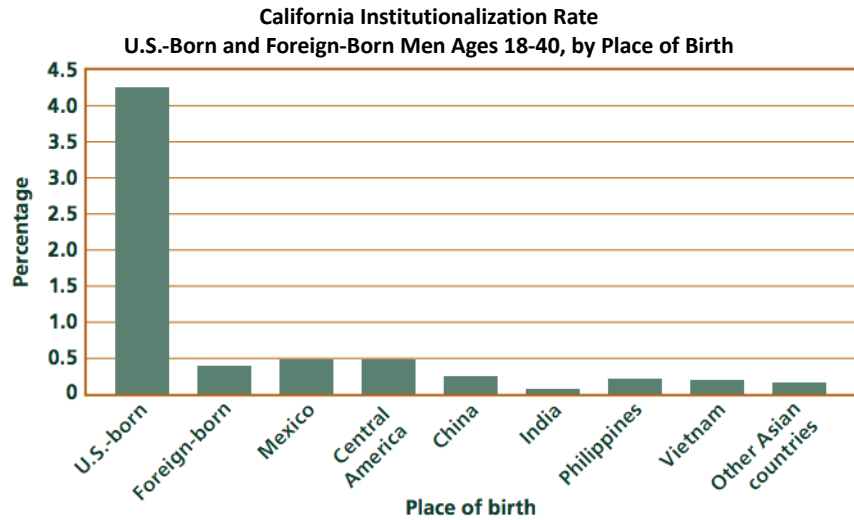


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Incarceration by Immigration Status, 2018



Crime: Incarceration Rates in California

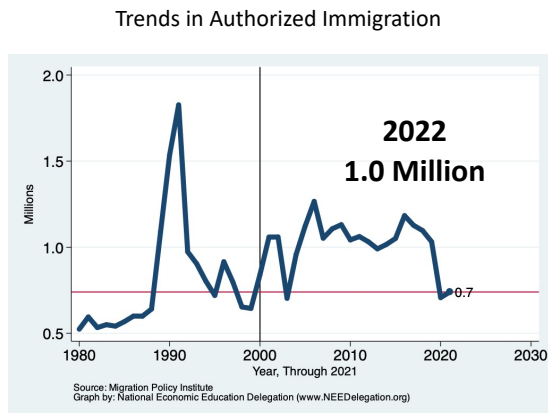


About Conventional Wisdom

- **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.
- **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.

Potential Solution?

- **Expand Authorized Immigration**
 - Currently just 1 million/year on average.
 - This would reduce the volume of people on the southern border.
 - o Not 1-1, but significantly.



Thank you!

Any Questions?

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