



The Economics of Immigration

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Jon Haveman, Ph.D.
Executive Director, NEED



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National Economic Education Delegation

- **Vision**

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

- **NEED Presentations**

- Are **nonpartisan** and intended to reflect the consensus of the economics profession.

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Who Are We?

- **Honorary Board: 54 members**

- 2 Fed chairs: Janet Yellen, Ben Bernanke
- 6 chairs of the Council of Economic Advisers
 - o Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel prize winners
 - o Akerlof, Smith, Maskin

- **Delegates: 645+ members**

- At all levels of academia and some in government service
- All have a PhD in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 48 PhD Economists**

- Aid in slide deck development



Available NEED Topics Include:

- **US Economy**
- **Climate Change**
- **Economic Inequality**
- **Economic Mobility**
- **US Social Policy**
- **Trade and Globalization**
- **Minimum Wages**
- **Immigration Economics**
- **Housing Policy**
- **Federal Budgets**
- **Federal Debt**
- **Black-White Wealth Gap**
- **Autonomous Vehicles**



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 - Anna Maria Mayda, Georgetown University
 - Robert Gitter, Ohio Wesleyan University
 - Roger White, Whittier College
- **This slide deck was reviewed by:**
 - Kirk Doran, Notre Dame
 - Ethan Lewis, Dartmouth College
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Outline

- **What is immigration and why do people migrate?**
- **History of immigration to the US**
- **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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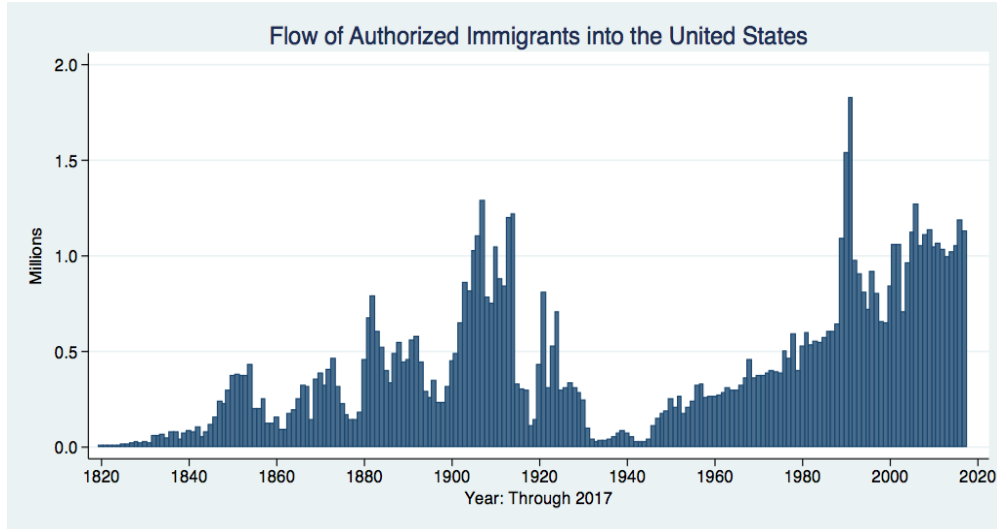
Why Do People Migrate?

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

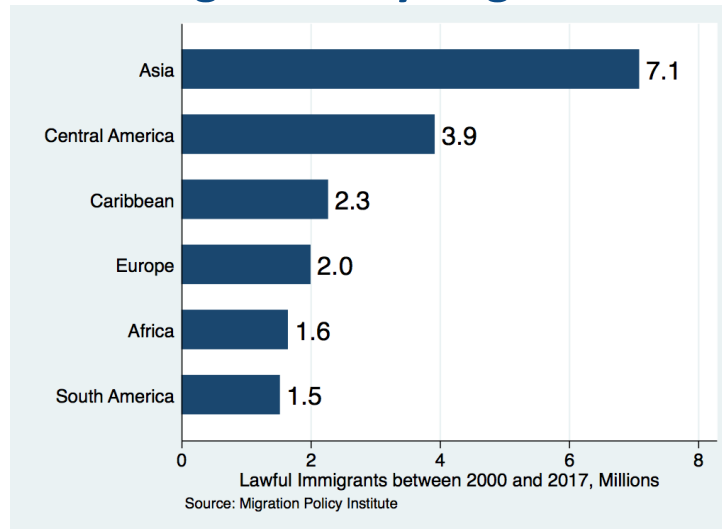


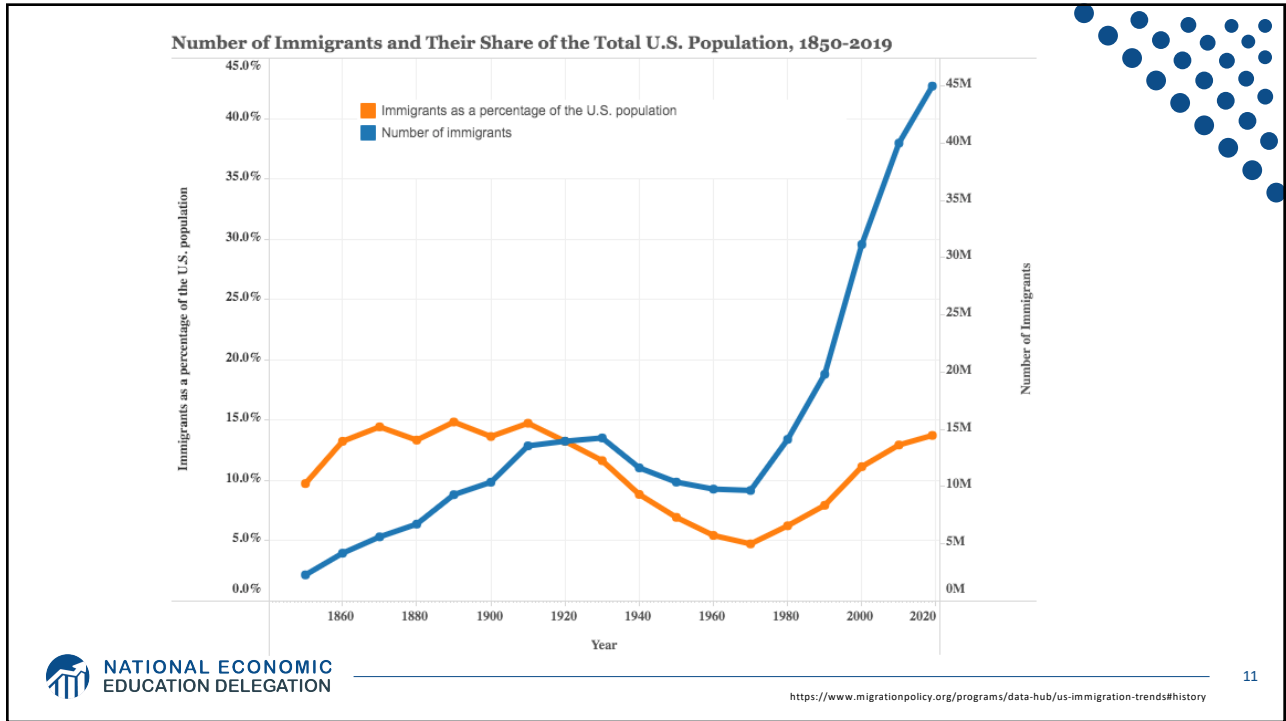
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Historical Trends in Authorized Immigration

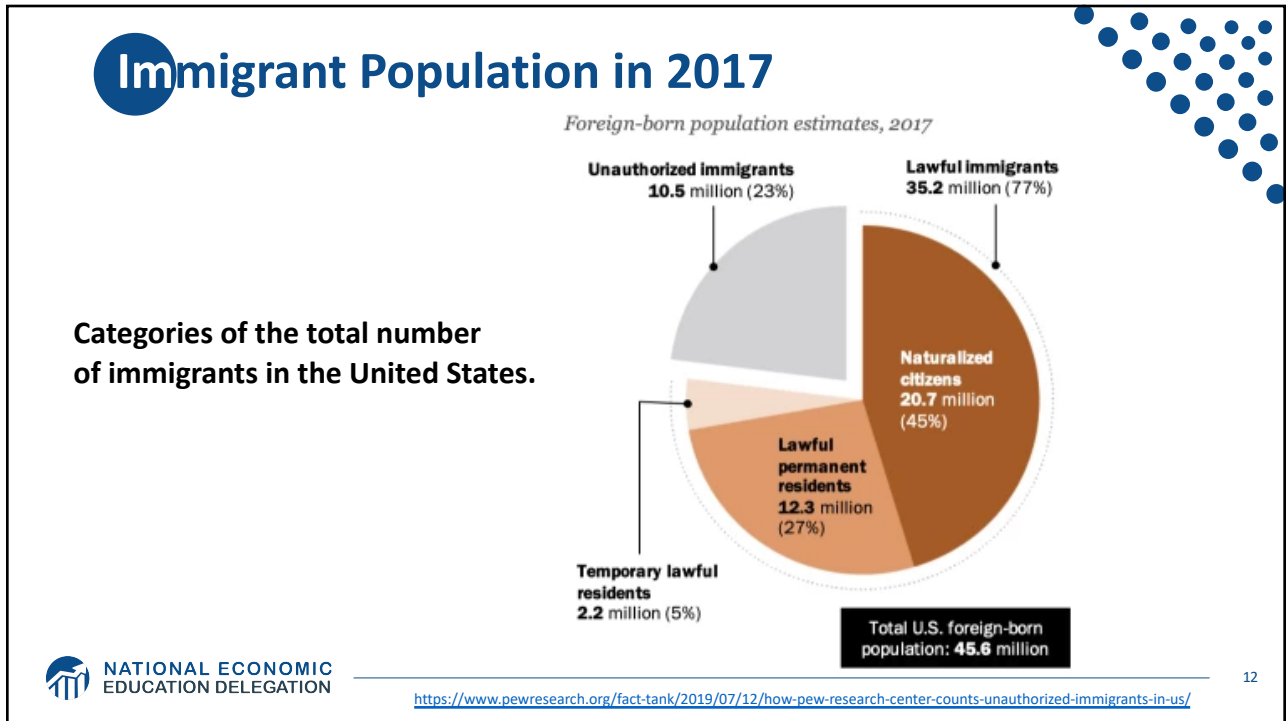


Authorized Immigration by Region





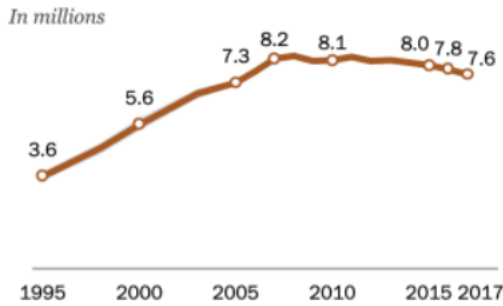
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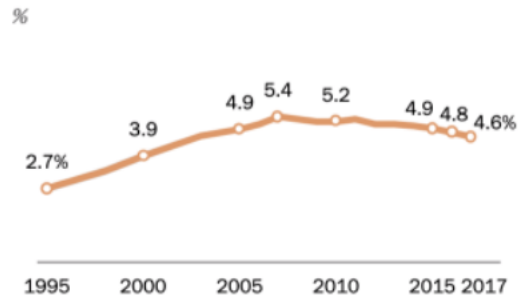
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U.S. Unauthorized Immigration: Labor Force

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

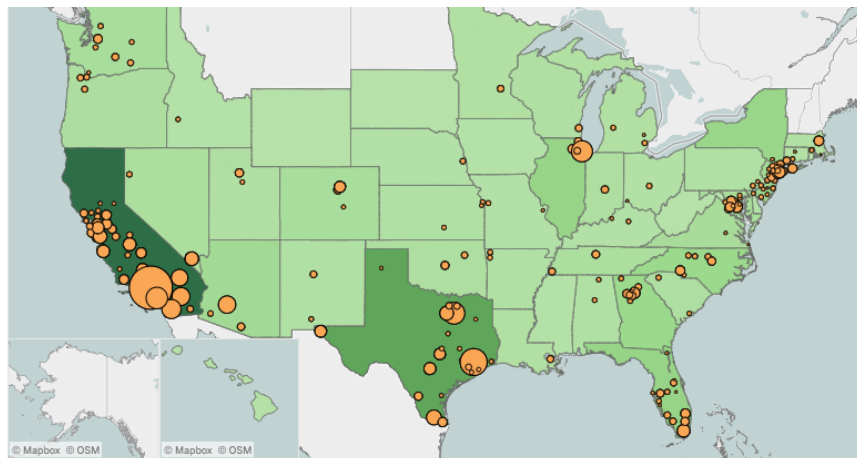


Unauthorized immigrants decline as a share of the U.S. labor force



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Unauthorized Immigration: 2012-2016



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Why Do We Care? Economic Implications

- GDP
- Labor markets
- Government revenue and spending
- Crime



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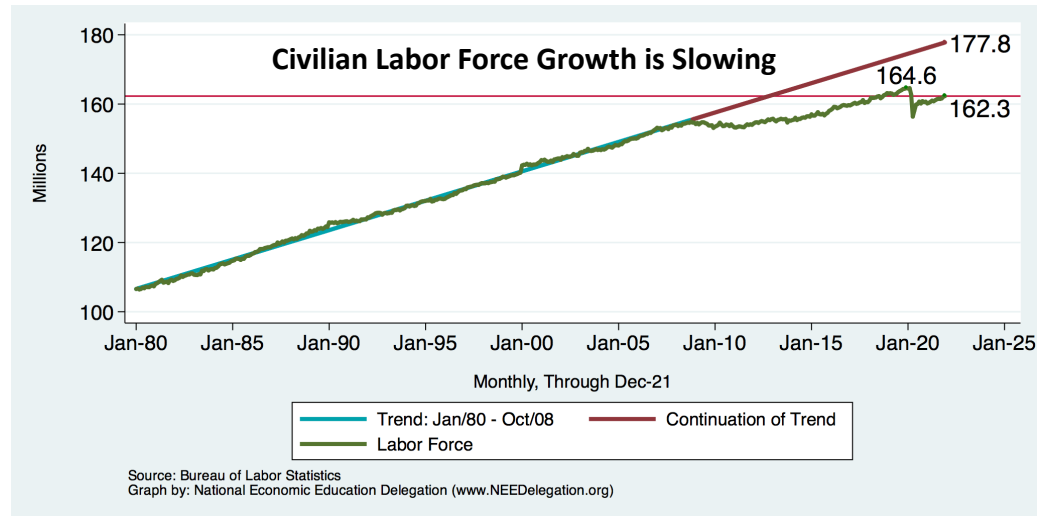
GDP: How Does This Work?

- **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 (little less than 5% unauthorized)
- **Evidence**
 - Immigrants added 11% to GDP (\$2 trillion) in 2016.



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Immigration: One Way to Grow the Labor Force



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Labor Market Implications: The Surplus

• The Surplus

- Immigration CAN make all native-born workers and capital more productive.
- This increases incomes of the native born.

- In other words, the economy might not just get bigger, it might become more productive as well!

- This will, on average, increase the living standards of all native-born workers and owners of capital.

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Labor Market Implications: Complicated

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

- **In the long-run: Brings capital market implications**
 - Expansion of capital stock through increased investments in equipment etc.



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Labor Market Implications: General Principles

- **Short run**
 - Harm likely to native-born workers who are similar to immigrants.
 - Benefit likely for other workers and owners of capital.

- **Long run**
 - *Expanded opportunities* may restore wages of harmed native-born workers.
 - **Lower prices** in some areas will restore purchasing-power of harmed workers and others.
 - Inflows of other types of labor and capital may *return the economy to its pre-immigration wage structure and production patterns*.

- **Note: Repeated short run shocks can make the medium and long run look like the short run.**



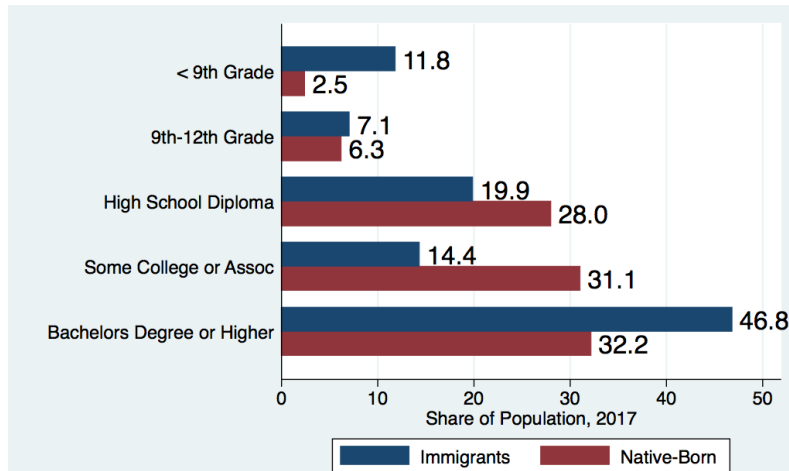
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Consensus among Economists

- **97% of economists agree – or agree with provisos:**
 - immigration generally has a **net positive economic effect** for the US economy.
- **64% of economists agree:**
 - immigration will **NOT** depress the average wage rate in the US.

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Recent Immigrants Are Less and More Educated



Source: Migration Policy Institute
Authorized immigration between 2013-2017

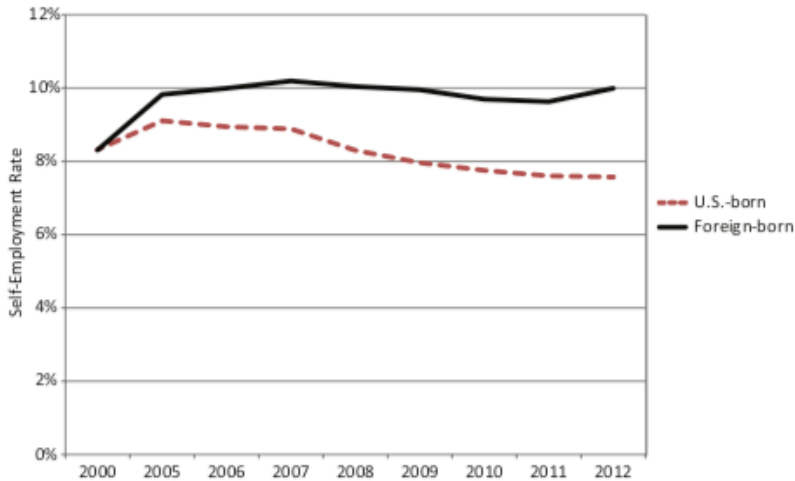
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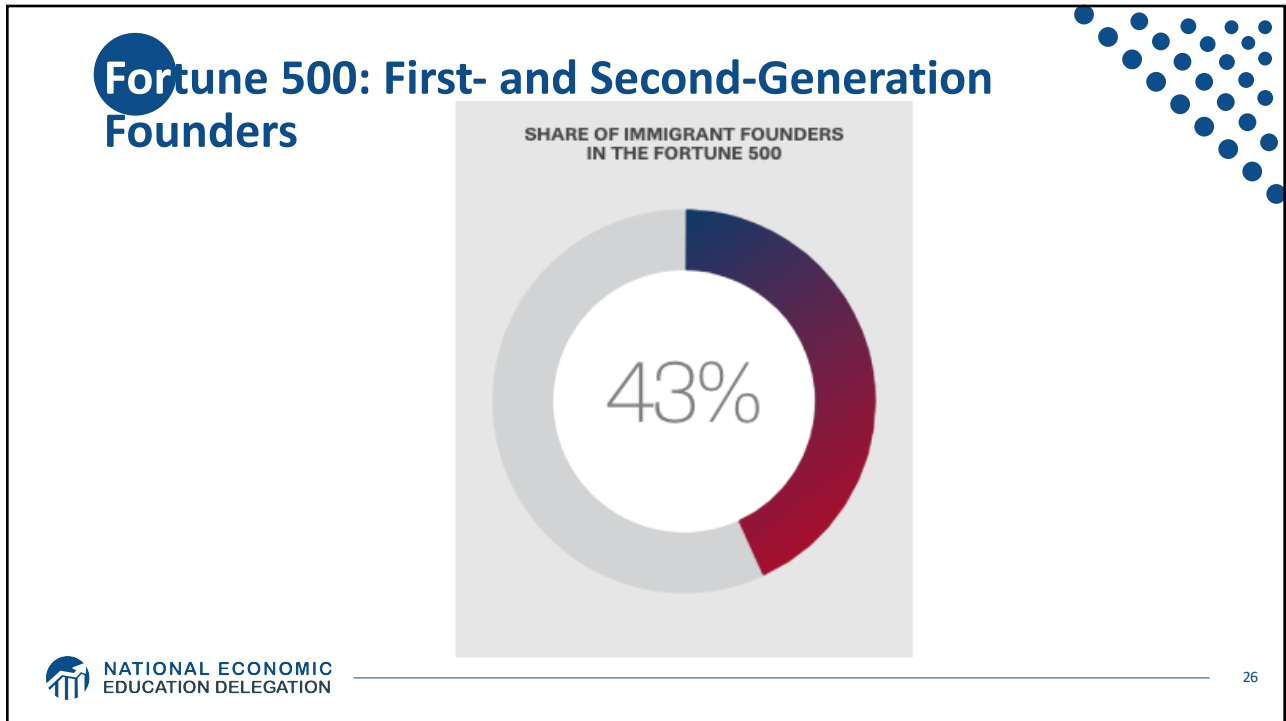
Skilled Immigrants and Innovation

- **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
- **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





Government Revenues versus Expenditures

- **Basic Question:**

- What are the 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

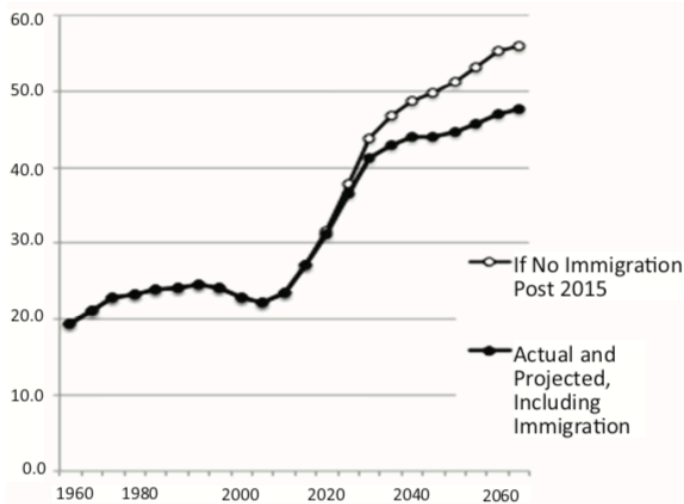
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Implications for Major Federal Programs

- Documented immigrants are less likely to use Social Security and Medicare.
- Unauthorized immigrants are ineligible.
 - They will (may) 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.

Implications for Social Security

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



Bottom Line/Consensus of Estimates

- **FEDERAL level: fiscal impact is generally positive.**
- **STATE AND LOCAL level: typically negative fiscal impact.**

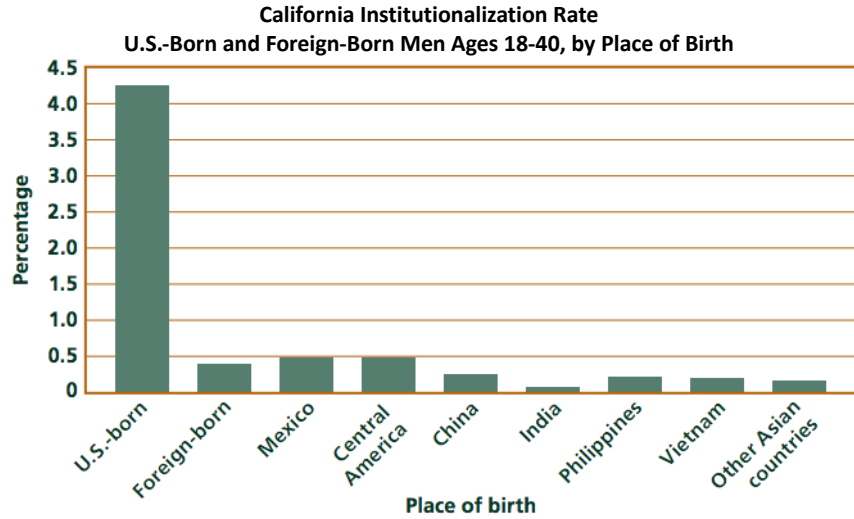
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Immigrants and Crime Rates

- **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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Crime: Incarceration Rates in California



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.

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.



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Thank you!

Any Questions?

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Jon Haveman

Jon@NEEDelegation.org

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