

immigration

The Economics of Immigration

Tiger 21
Vancouver, BC, Canada
June 9, 2022
Jo Beth Mertens, PhD




NATIONAL ECONOMIC
EDUCATION DELEGATION

1

1

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.



NATIONAL ECONOMIC
EDUCATION DELEGATION

2

2

Credits and Disclaimer

- **This slide deck was authored by:**
 - 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
- **Disclaimer**
 - NEED presentations are designed to be nonpartisan.
 - It is, however, inevitable that presenters will be asked for and will provide their own views.
 - Such views are those of the presenter and not necessarily those of the National Economic Education Delegation (NEED).



3

Outline

- **Why do people migrate?**
- **Brief history of immigration to the US**
- **How does immigration affect the economy?**
- **Economic effects of immigration in the US—
what do the data tell us?**



4

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.

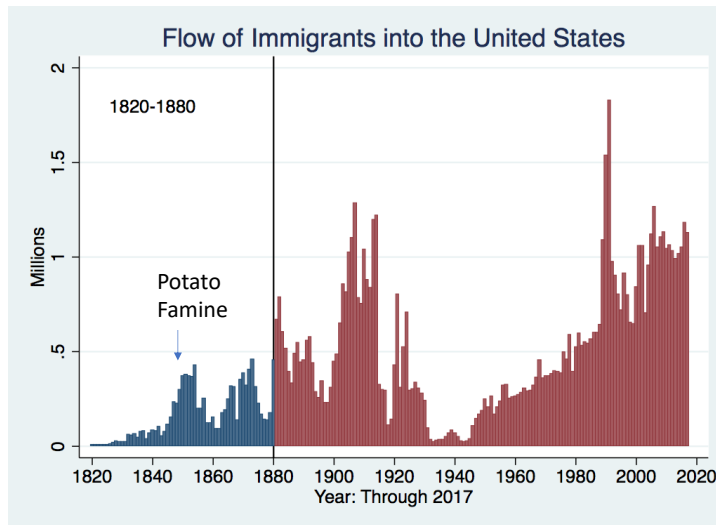
- **Uneven development helps create push and pull factors:**

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



Source: Gilder Lehrman Institute of American History.

History of US Immigration

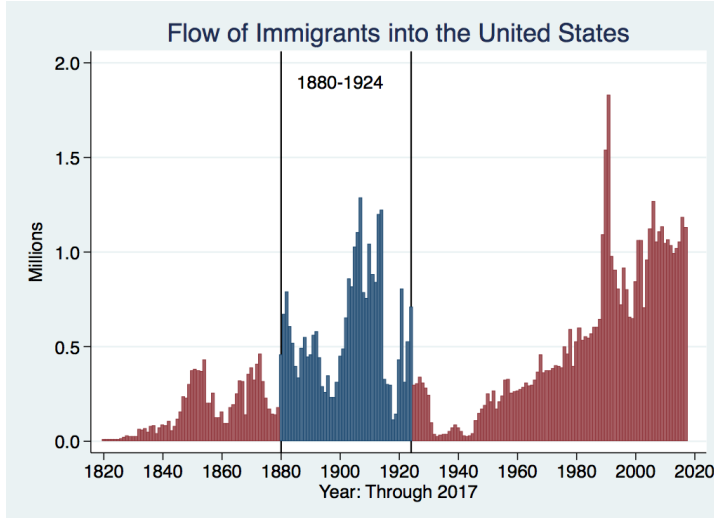


Source Countries	1820-1880
Germany	3,000,000
Ireland	2,800,000
Britain	2,000,000
Austro-Hungarian empire	1,000,000
Canada	750,000
China	230,000
African countries	50,000



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

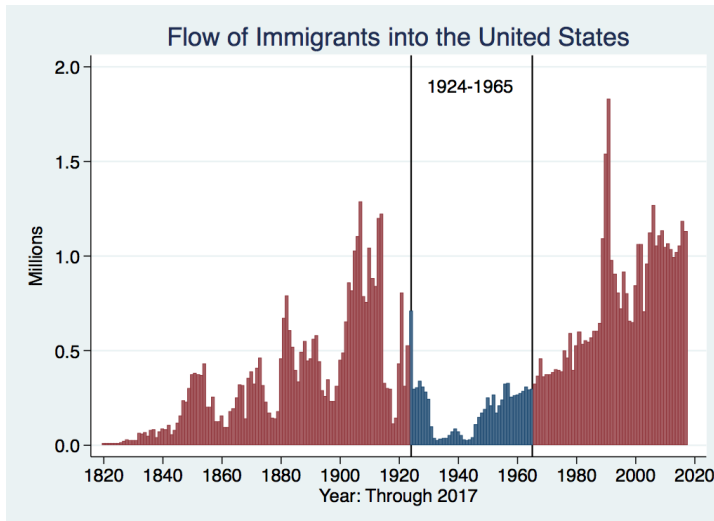
History of US Immigration



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

7

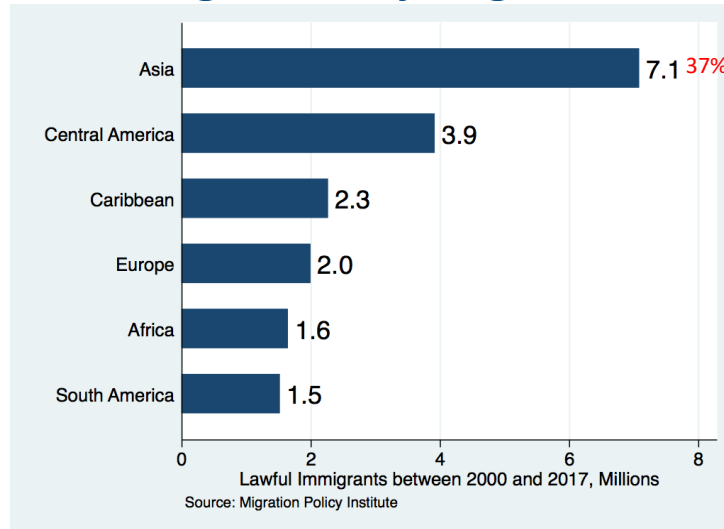
History of US Immigration



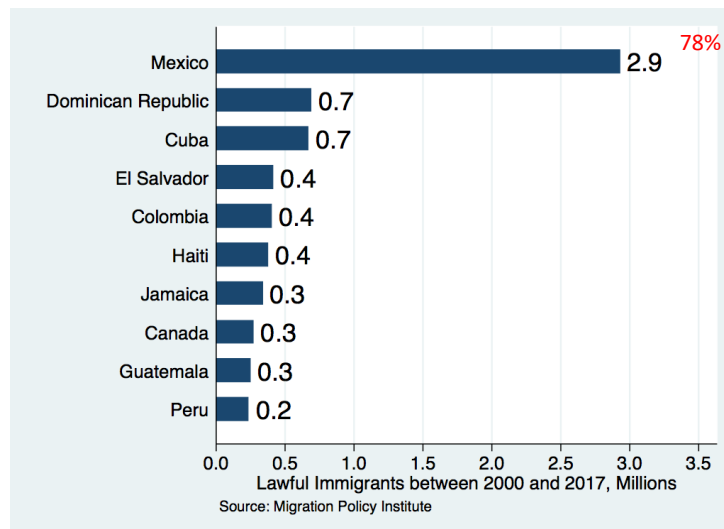
Source Countries	1930-1965
Germany	940,000
Canada	900,000
Mexico	610,000
Britain	480,000
Italy	390,000
Caribbean/West Indies	310,000

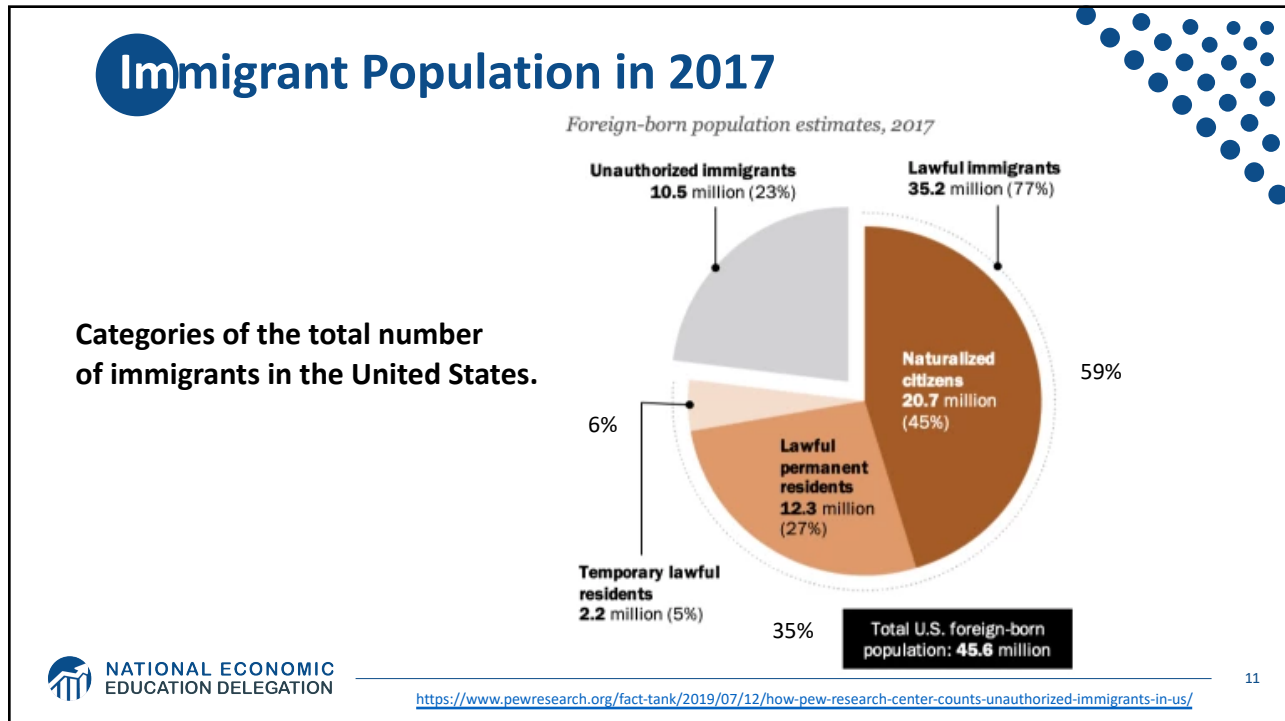
8

Authorized Immigration by Region, 2000-17

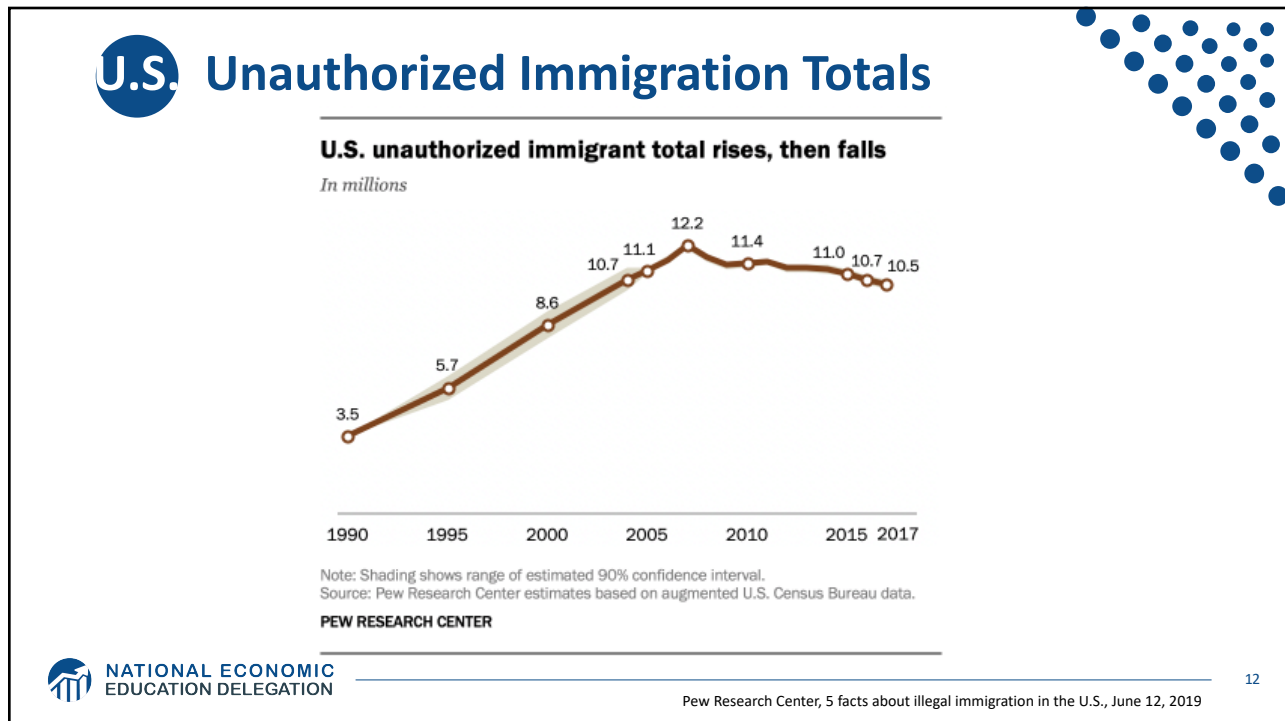


Authorized Immigration from the Americas, 2000-17





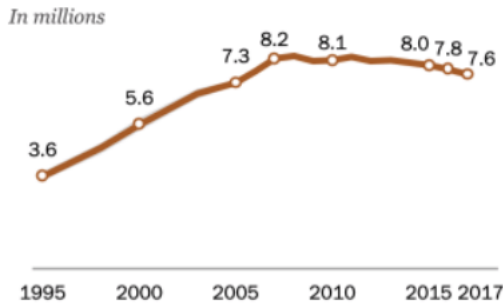
11



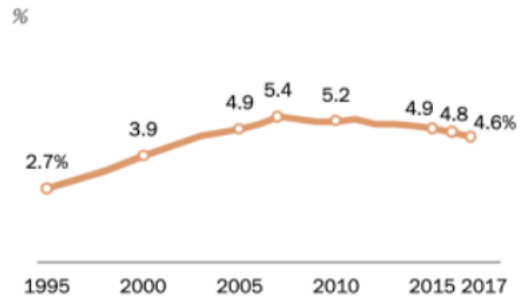
12

U.S. Unauthorized Immigration: Labor Force

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



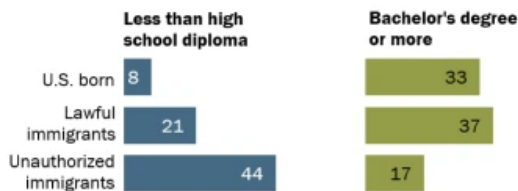
Unauthorized immigrants decline as a share of the U.S. labor force



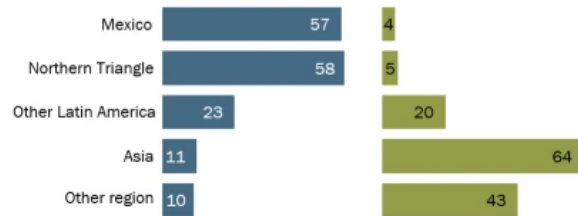
Pew Research Center, 5 facts about illegal immigration in the U.S., June 12, 2019

Unauthorized Immigration: Education

% in 2016 among those ages 25-64 with ...



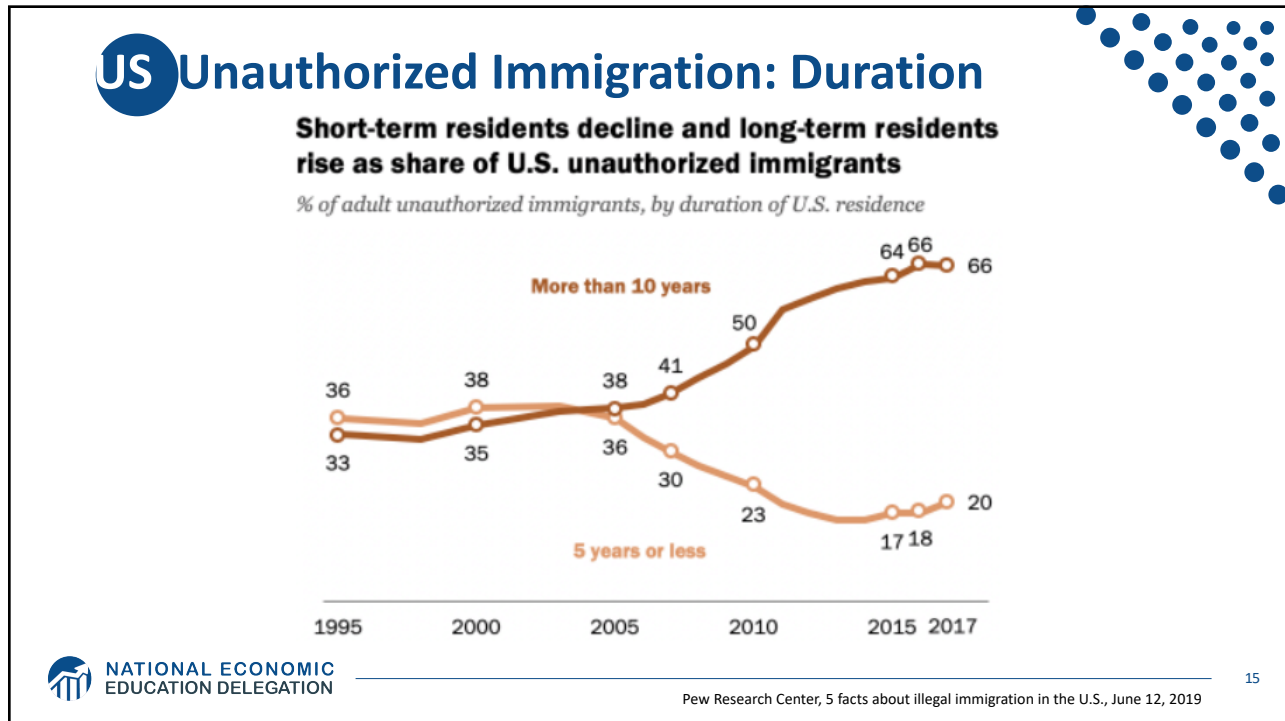
Among unauthorized immigrants from ...



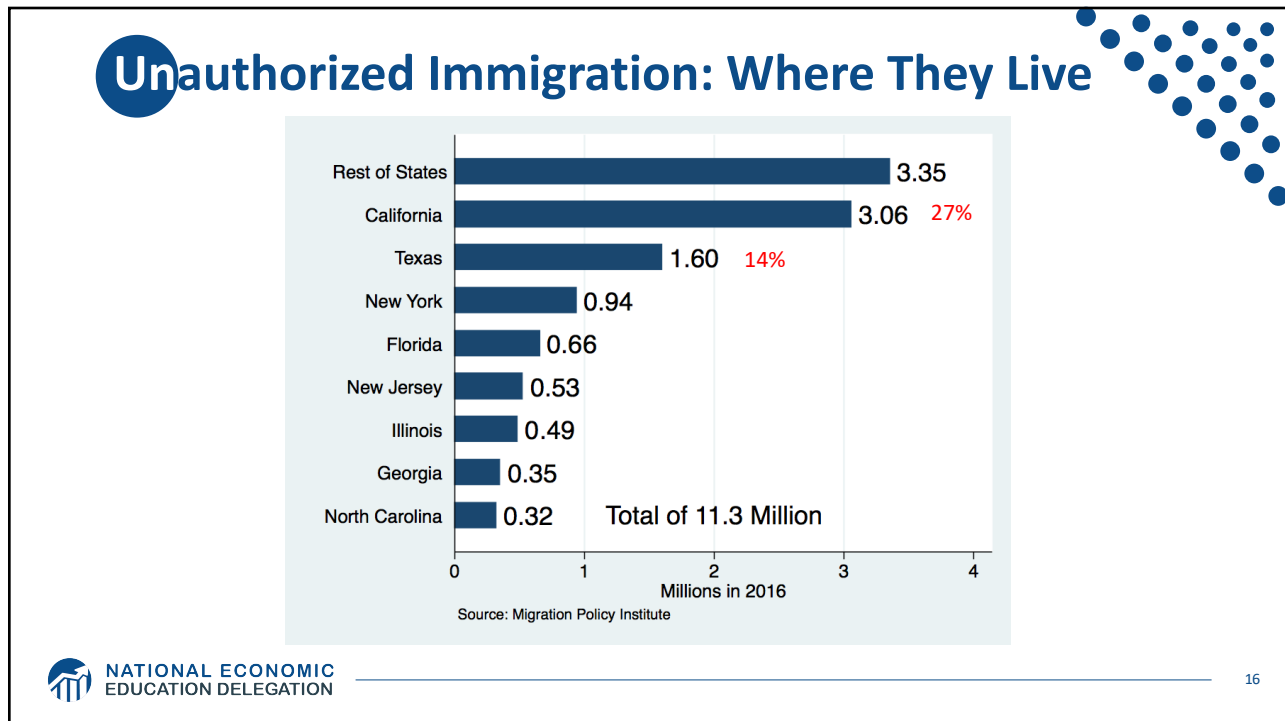
Note: Northern Triangle includes El Salvador, Guatemala and Honduras.



Pew Research Center, U.S. unauthorized immigrants are more proficient in English, more educated than a decade ago, May 23, 2019



15



16

Unauthorized Immigration: Mode of Entry

Table 3. Arrivals of Undocumented Migrants in 2016, by Mode of Arrival and Country of Origin: Top Five Countries (thousands)

Country	Total arrivals	Country	Overstays	Country	EWIs Entry w/o Inspection
All countries	515	All countries	320	All countries	190
Mexico	145	Mexico	50	Mexico	95
El Salvador	35	India	25	El Salvador	35
Guatemala	30	China	25	Honduras	25
Honduras	30	Venezuela	20	Guatemala	20
India	25	Philippines	15	Dom Rep.	10
All other	245	All other	185	All other	5

Note: Except for "All countries" and Mexico, overstays and EWIs do not sum to total arrivals because different countries are included in the columns that show overstays and EWIs.

Source: Center for Migration Studies.



17

Why Do We Care? Economic Implications

- GDP (Economic growth)
- Labor markets
- Government revenue and spending



18

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.



19

Immigration and Labor Markets



20

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 – substitutes for capital
- Highly skilled – capital complementing



21

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**

- **Lower prices** will restore some of the purchasing power of those harmed.
- **Expanded opportunities** may restore wages of harmed native-born workers.
- Whether there are winners or losers in long-run depends on capital inflows, **could be a wash**



22

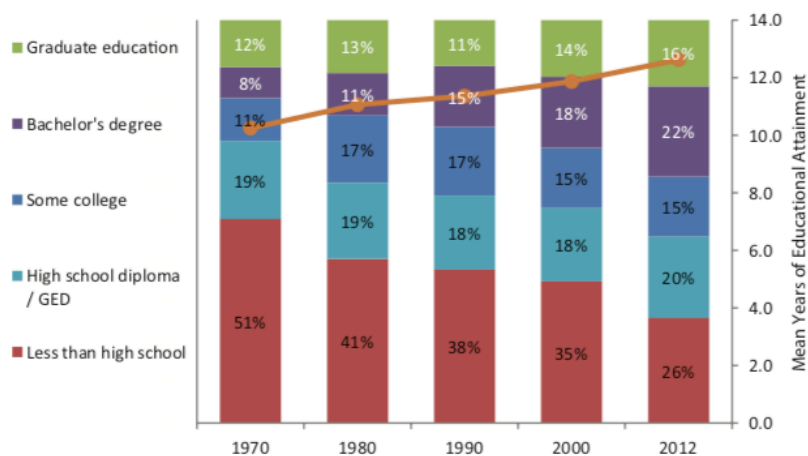
Summary of Labor Market Effects

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

23

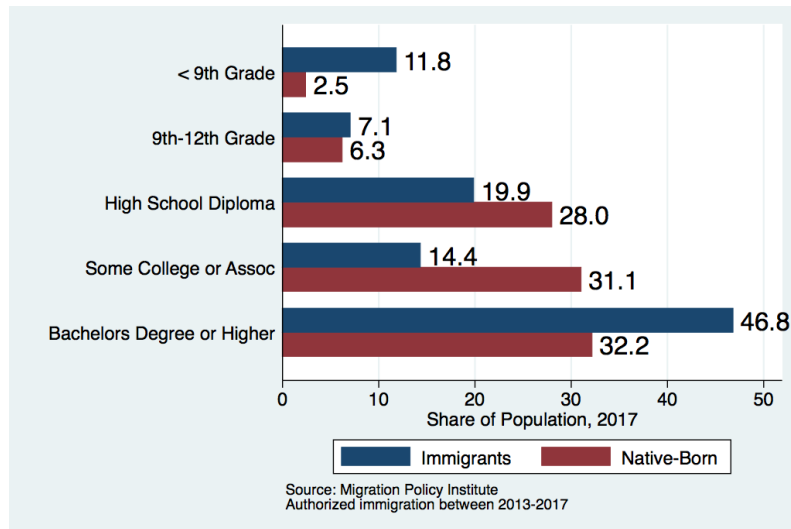
Pattern of Immigration wrt Education

Educational Attainment of Recent Immigrants – Last 5 Years



24

Recent Immigrants Are Less and More Educated

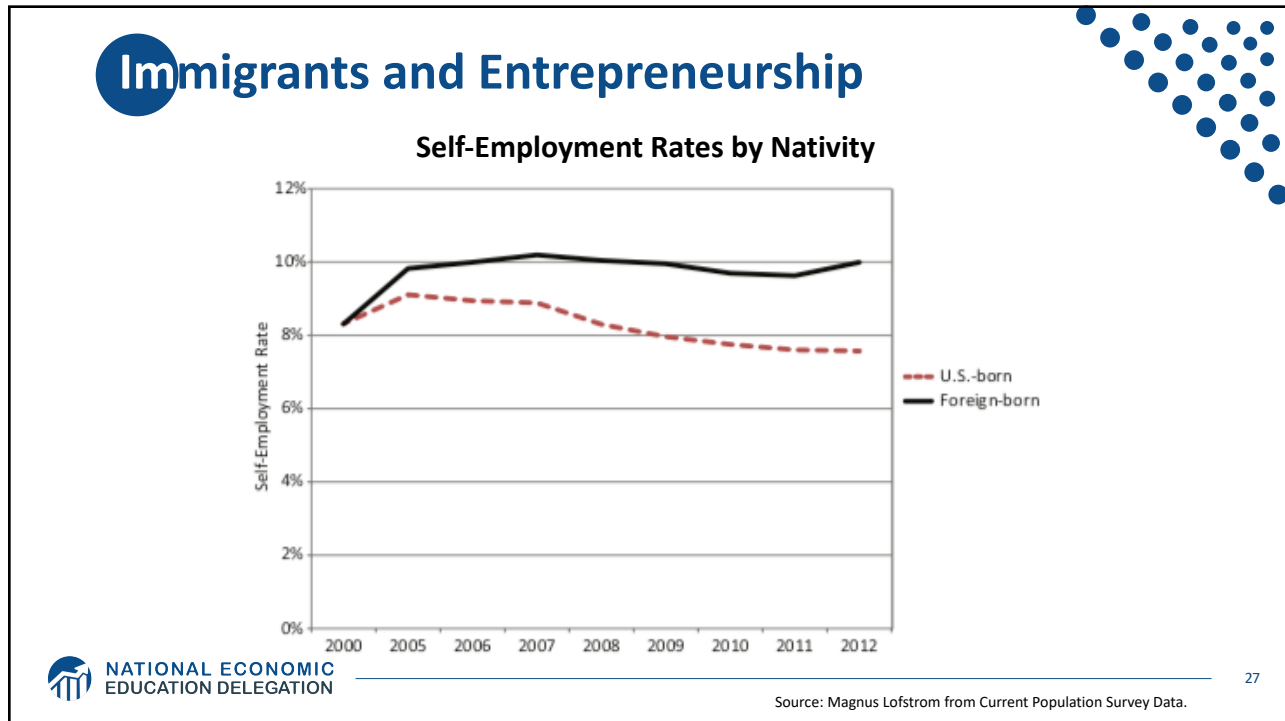


25

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.

26

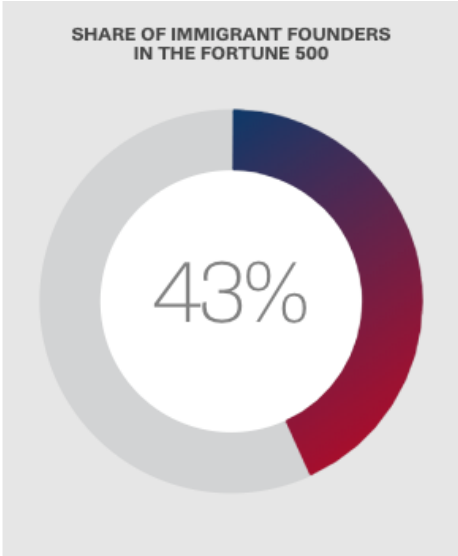


27



28

Fortune 500: First- and Second-Generation Founders



SHARE OF IMMIGRANT FOUNDERS
IN THE FORTUNE 500

43%

NATIONAL ECONOMIC
EDUCATION DELEGATION

29

The slide features a donut chart with a dark blue segment representing 43% of the total. The chart is set against a light gray background. The text 'SHARE OF IMMIGRANT FOUNDERS IN THE FORTUNE 500' is positioned above the chart, and '43%' is displayed in the center. The slide title is 'Fortune 500: First- and Second-Generation Founders'. The logo of the National Economic Education Delegation is in the bottom left, and the number '29' is in the bottom right. A decorative pattern of blue dots is in the top right corner.

29

Government Revenues and Expenditures

NATIONAL ECONOMIC
EDUCATION DELEGATION

30

The slide features the title 'Government Revenues and Expenditures' in a large, bold, blue font. The logo of the National Economic Education Delegation is in the bottom left, and the number '30' is in the bottom right. A decorative pattern of blue dots is in the top right corner.

30

Taxes and Benefits

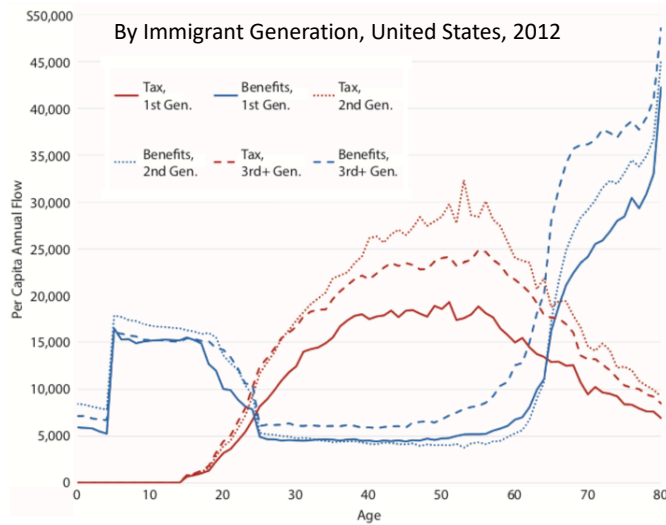
- **Basic Question:**

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

- **More complicated:**

- Immigrants also affect the taxes paid and benefits received for many native-born residents.
 - 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



33

Bottom Line/Consensus of Estimates

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



34

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.**



35

Other Implications of Immigration



36

The Big Misconception:

• Immigration and Crime

By the 3rd generation, immigrants look very much like US born citizens— with respect to education, occupation, employment and earnings, health, poverty, and language. The once difference is crime.



NATIONAL ECONOMIC
EDUCATION DELEGATION

Source: *The Integration of Immigrants into American Society* (2015).

37

37

Immigrants and Crime Rates

• Conventional wisdom:

- Immigrants commit crimes more frequently than do native-born residents.
- Rising immigration leads to rising crime.

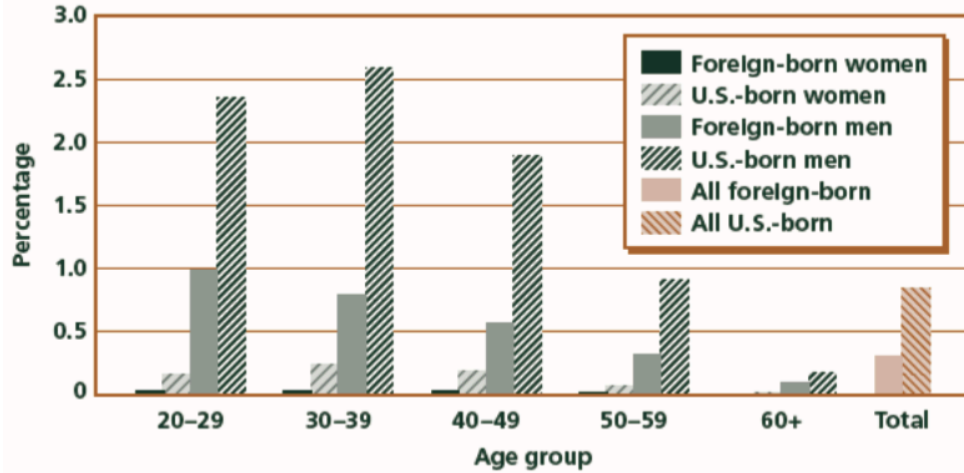


NATIONAL ECONOMIC
EDUCATION DELEGATION

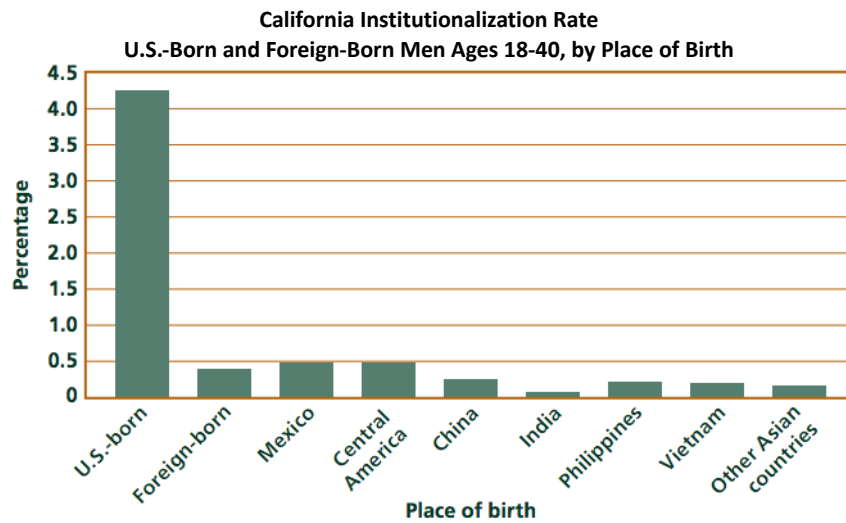
38

38

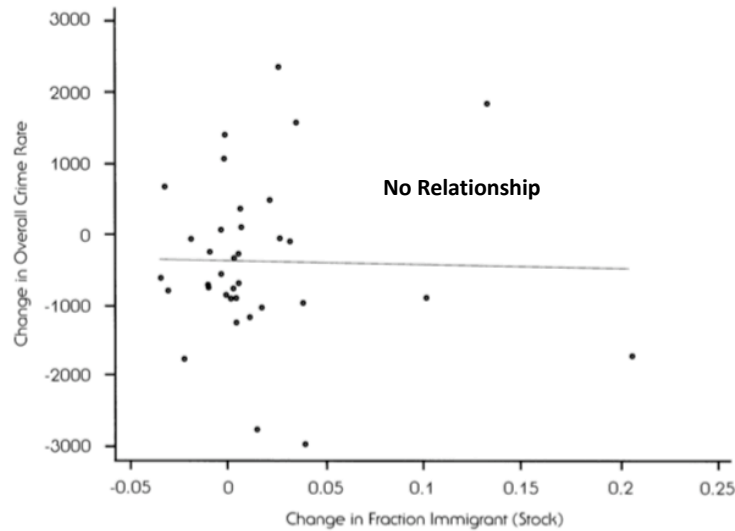
Crime: Incarceration Rates in California



Crime: Incarceration Rates in California



MSAs: Growing Immigration and Crime



NATIONAL ECONOMIC
EDUCATION DELEGATION

41

Source: Butcher & Piehl (1998b).

41

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.



NATIONAL ECONOMIC
EDUCATION DELEGATION

42

42

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.

43

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.

44

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.



NATIONAL ECONOMIC
EDUCATION DELEGATION

45

45

Thank you!

Any Questions?

www.NEEDelegation.org

Jo Beth Mertens, PhD

mertens@hws.edu

Contact NEED: info@needelegation.org

Submit a testimonial: www.NEEDelegation.org/testimonials.php

Become a Friend of NEED: www.NEEDelegation.org/friend.php



NATIONAL ECONOMIC
EDUCATION DELEGATION

46

46

Available NEED Topics Include:

- US Economy
- Economic Inequality
- Climate Change
- US Social Policy
- Trade and Globalization
- Economic Mobility
- Trade Wars
- Housing Policy
- Federal Budgets
- Federal Debt
- 2017 Tax Law
- Autonomous Vehicles

