




The Economics of Immigration

Rotary Club of Watsonville
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Doris Geide-Stevenson, PhD
Weber State University





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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: 52 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: 520+ members**

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

- **Global Partners: 45 PhD Economists**

- Aid in slide deck development



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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).

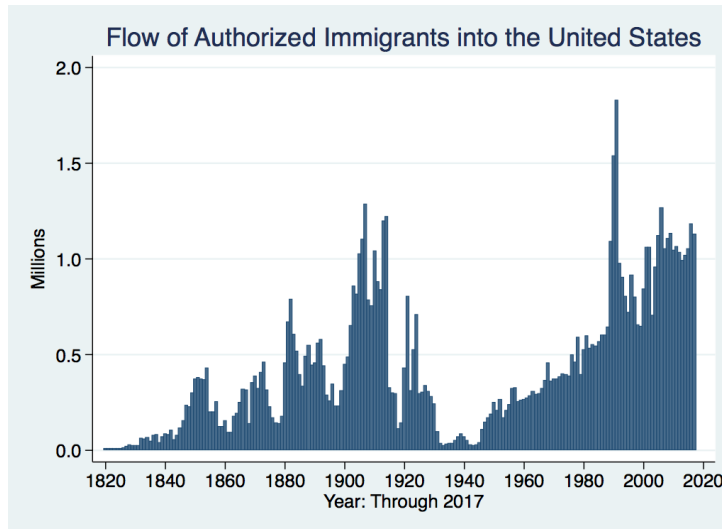


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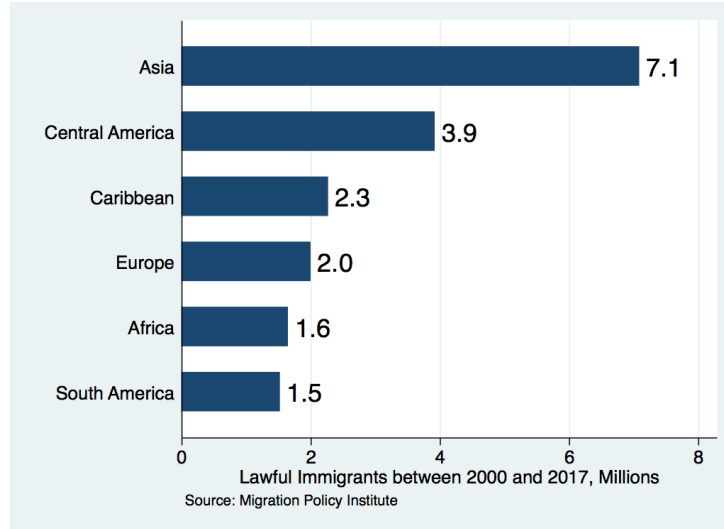
Outline

- History/Data of immigration to the US
- Economics of immigration

Historical Trends in Authorized Immigration



Authorized Immigration by Region



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Number of Immigrants and their Share of the total U.S. Population, 1850 -2019

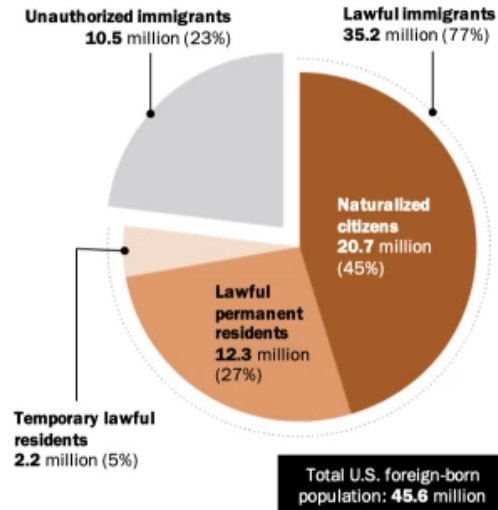
- <https://www.migrationpolicy.org/programs/data-hub/us-immigration-trends#history>

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Immigrant Population in 2017

Foreign-born population estimates, 2017

Categories of the total number of immigrants in the United States.



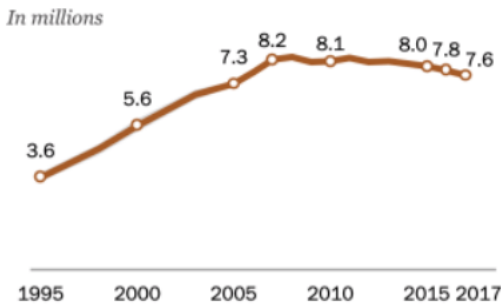
<https://www.pewresearch.org/fact-tank/2019/07/12/how-pew-research-center-counts-unauthorized-immigrants-in-us/>

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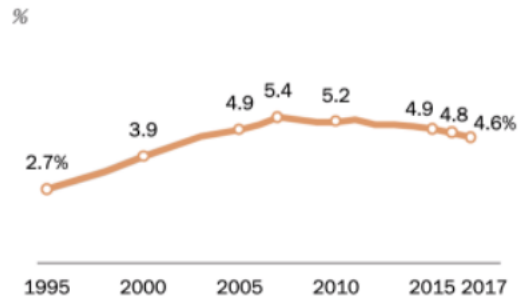
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U.S. Unauthorized Immigration: Labor Force

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



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



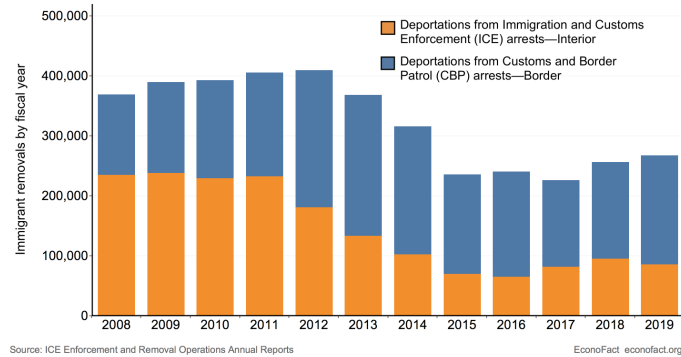
Pew Research Center, 5 facts about illegal immigration in the U.S., June 12, 2019

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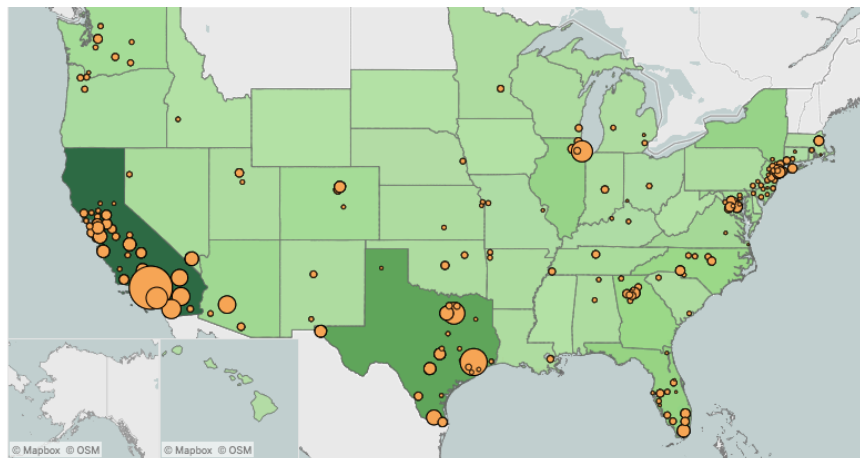
Immigrant Deportations

ICE DEPORTATIONS STEMMING FROM INTERIOR ENFORCEMENT AND BORDER ARRESTS FISCAL YEARS 2008 TO 2019



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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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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**, but may also increase overall productivity.

- **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 that immigration generally has a net positive economic effect for the US economy.**
- **64% of economists disagree with the statement that easing restrictions on immigration will depress the average wage rate in the US.**

Geide-Stevenson, LaParraPerez, (2021)



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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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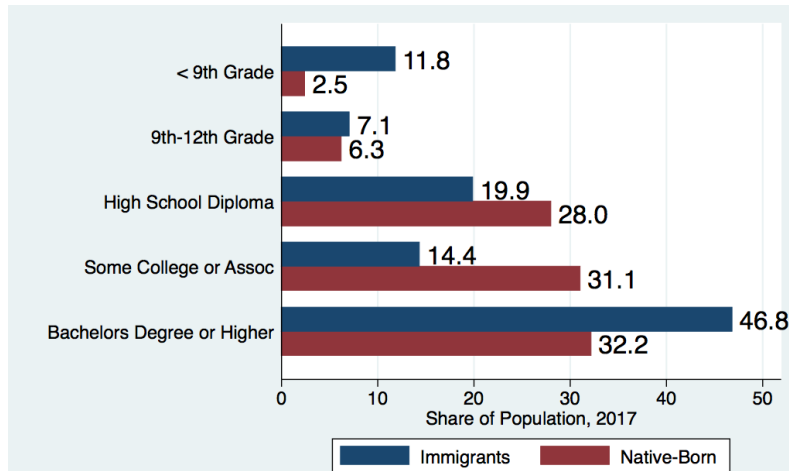
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Labor Market Implications: Evidence of Surplus

Type of Immigrants	Surplus: % of GDP	
	Short Run	Long Run
No Skill Bias	0.24 to 0.50	0.02 to 0.03
Low skilled	0.45 to 0.90	0.42 to 0.77
Highly skilled	0.75 to 1.35	0.16 to 0.31

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Recent Immigrants Are Less and More Educated



Source: Migration Policy Institute
Authorized immigration between 2013-2017

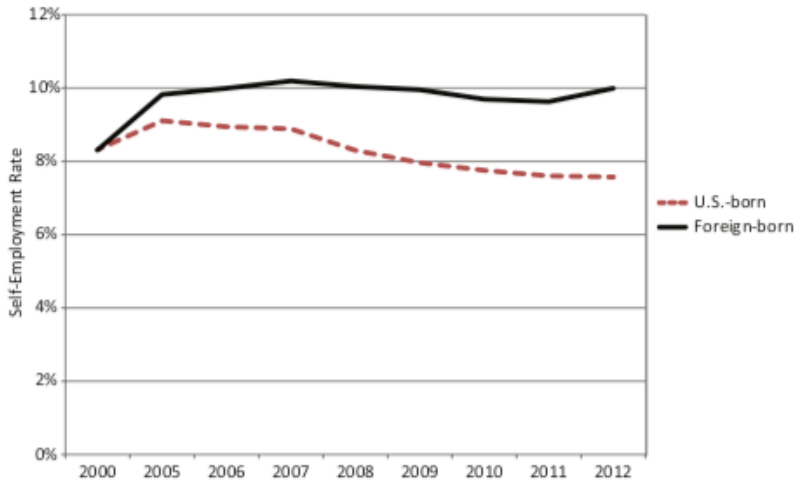
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Skilled Immigrants and Innovation

- **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
 - 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.

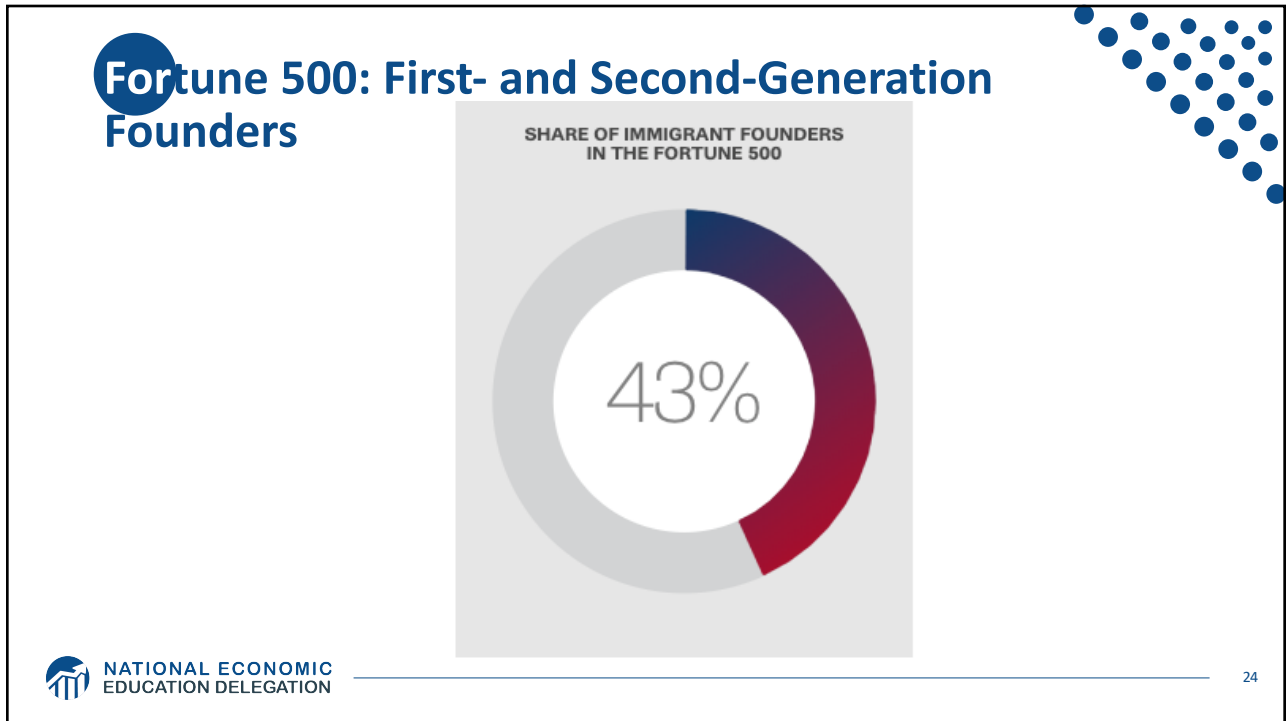
Immigrants and Entrepreneurship

Self-Employment Rates by Nativity





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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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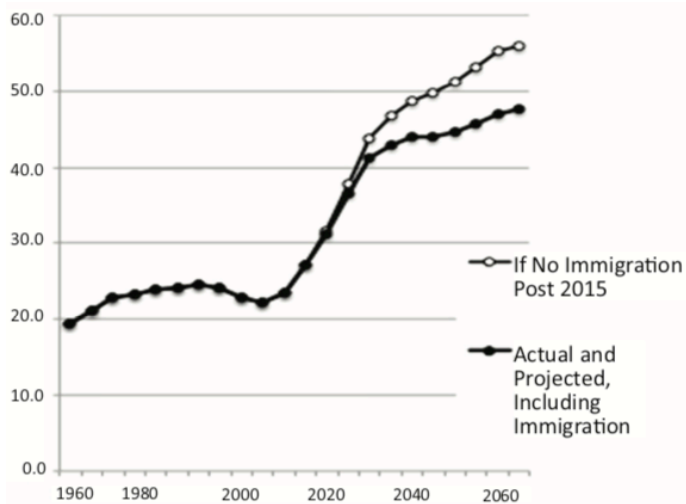
Implications for Major Federal Programs

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

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Implications for Social Security

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



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Bottom Line/Consensus of Estimates

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



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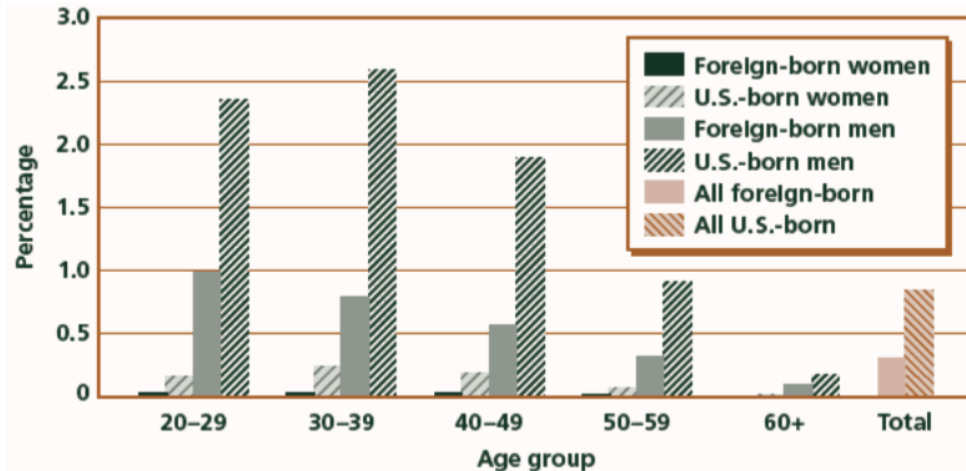
Immigrants and Crime Rates

- **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



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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.

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Thank you!

Any Questions?

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