



The Economics of Immigration

Money Talks Monthly Seminar
November 16, 2020
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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: 525 members**

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

- **Global Partners: 44 PhD Economists**

- Aid in slide deck development



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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



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Credits and Disclaimer

- **This slide deck was authored by:**
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- **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

- **Why do people migrate?**
- **Trends in immigration**
- **Economics of immigration**
- **Crime**



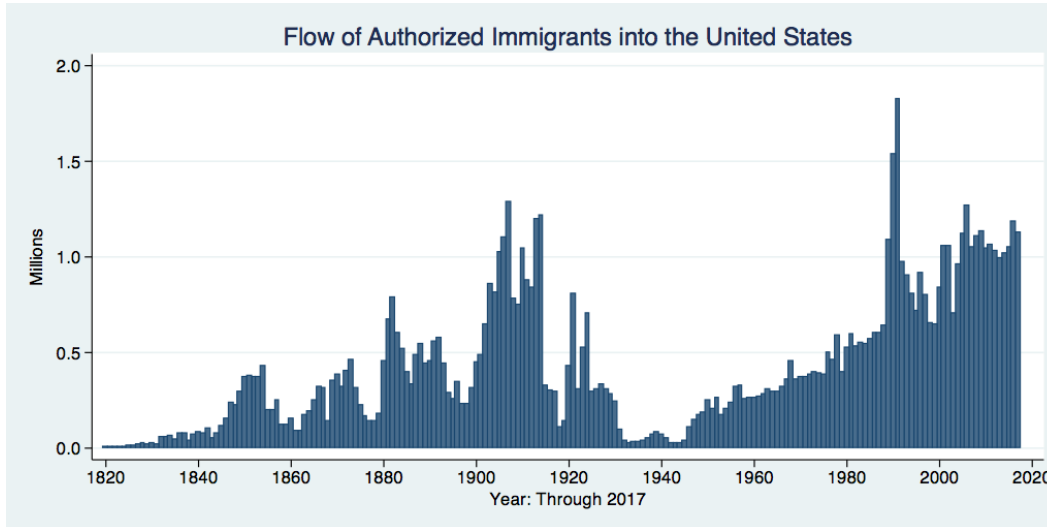
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Why Do People Migrate?

- **Push factors:**
 - Economic dislocation, domestic 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:**
 - Disparities in income, standards of living, and the availability of jobs within and across societies.

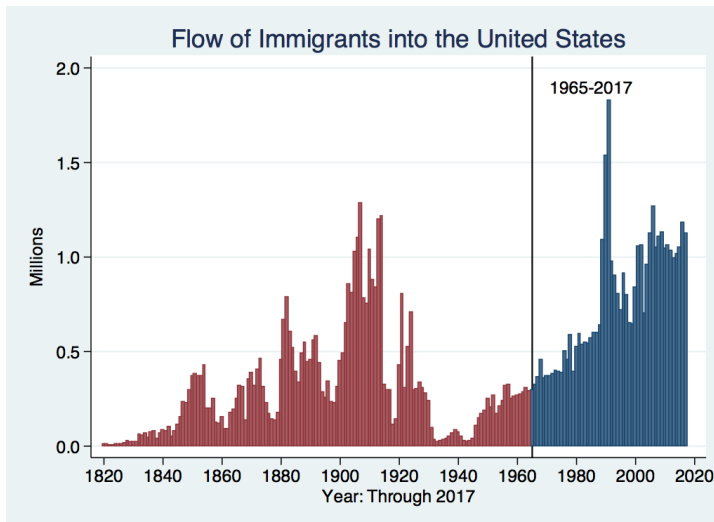
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Historical Trends in Authorized Immigration



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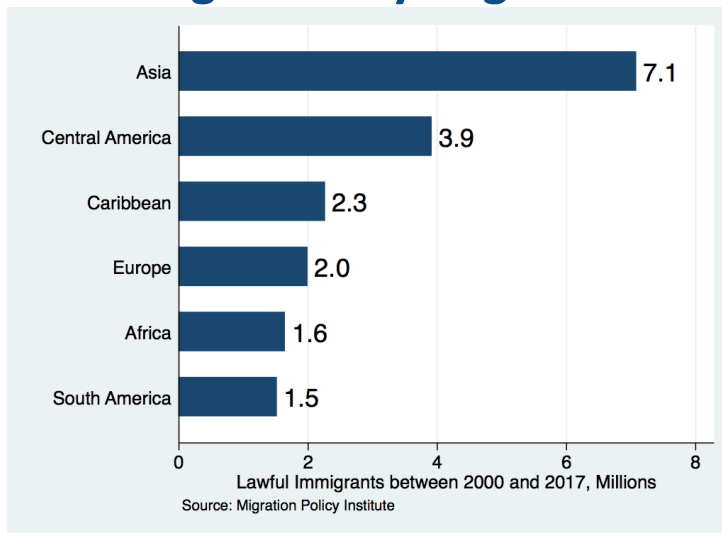
History of US Immigration: 1965-Today



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

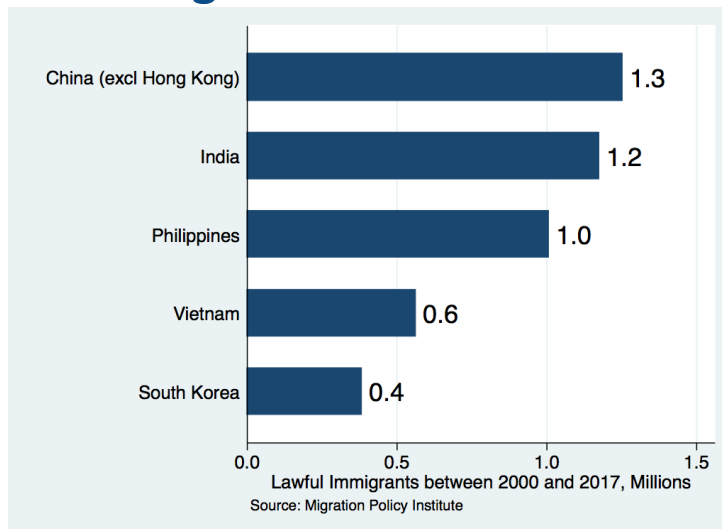
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Authorized Immigration by Region



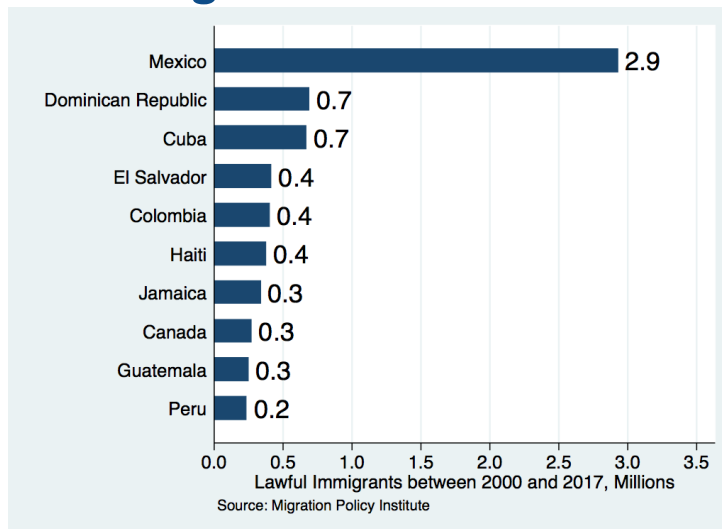
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Authorized Immigration from Asia

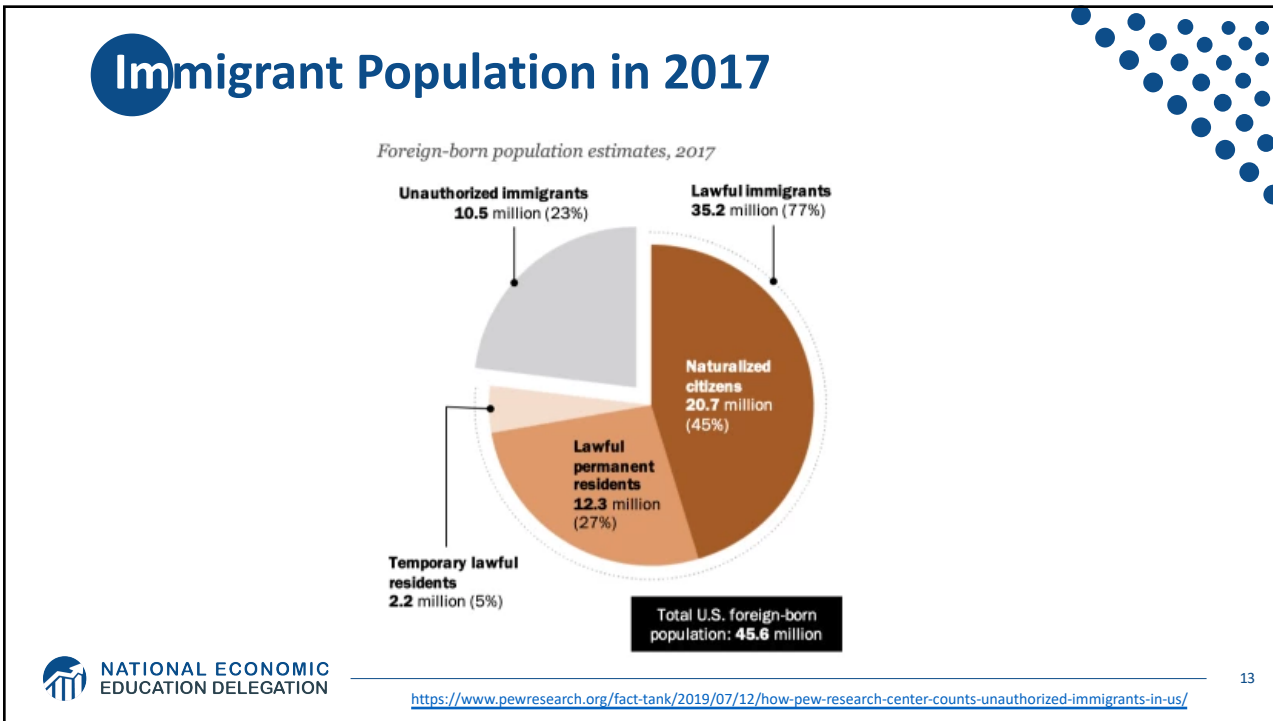


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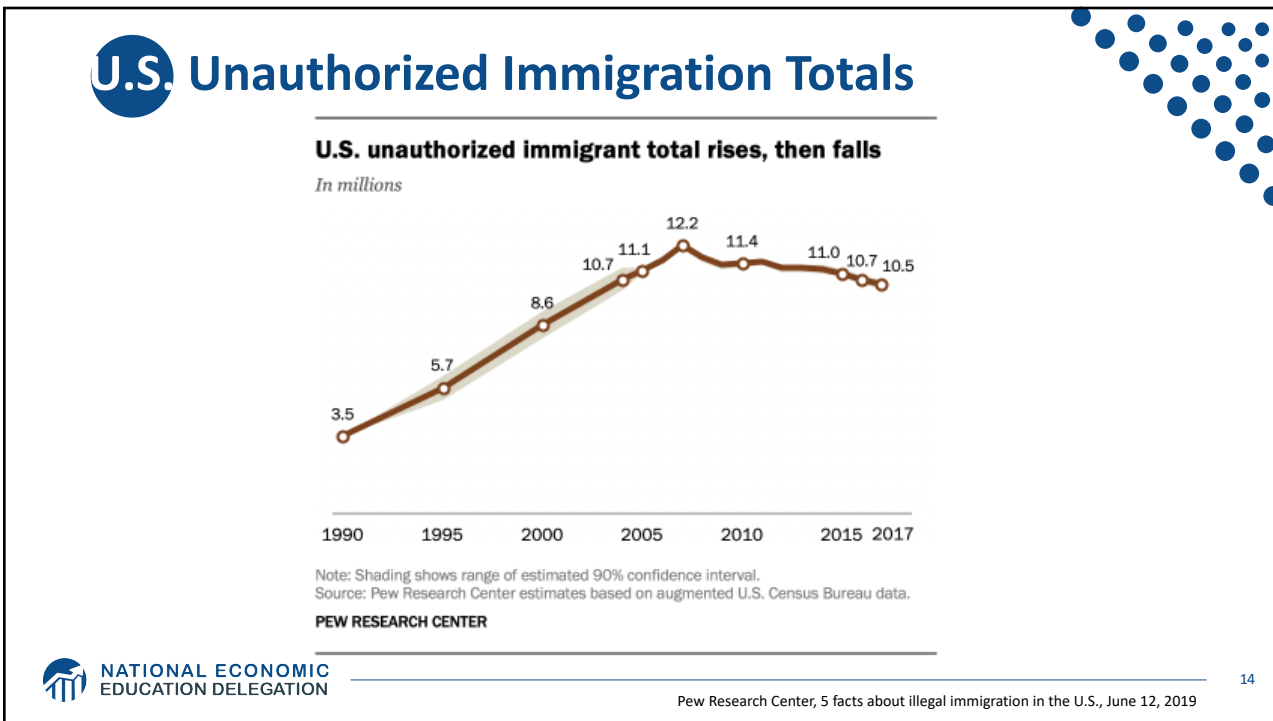
Authorized Immigration from the Americas



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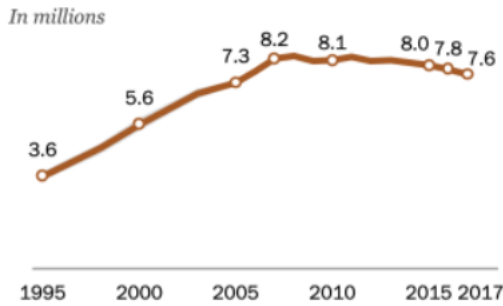
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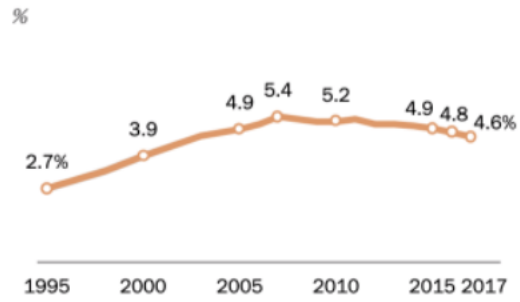
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U.S. Unauthorized Immigration: Labor Force

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



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



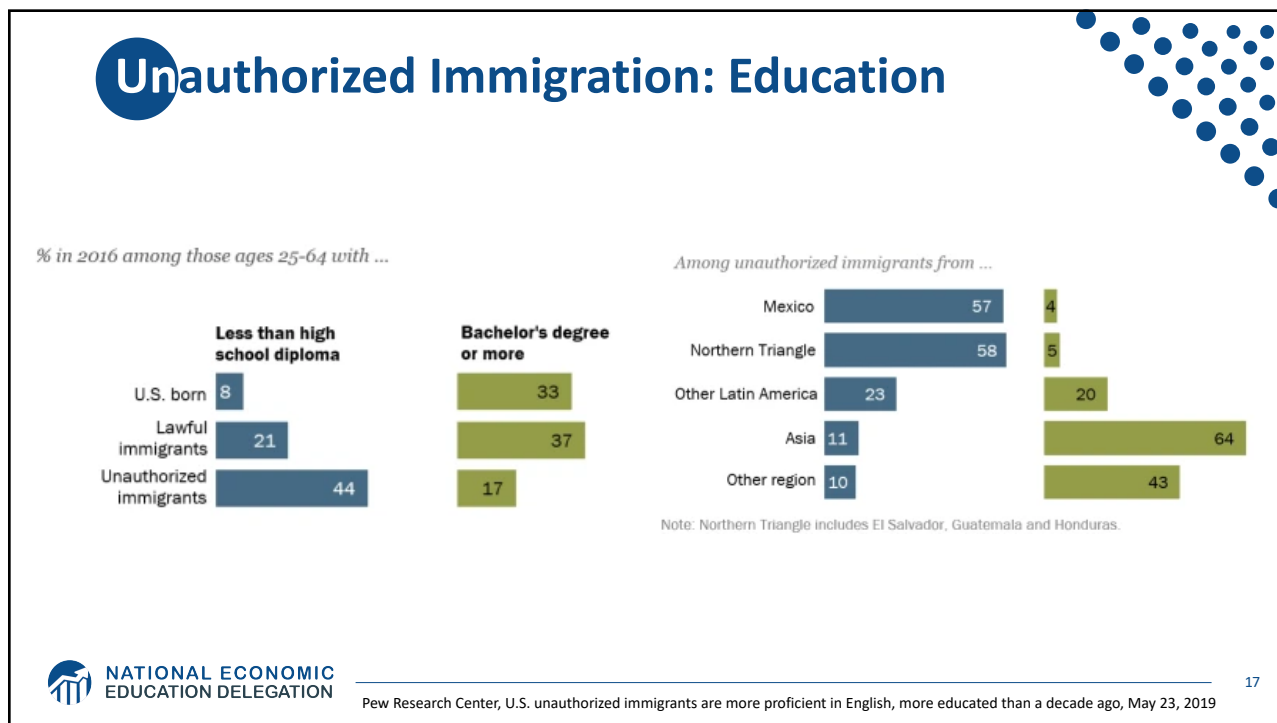
Pew Research Center, 5 facts about illegal immigration in the U.S., June 12, 2019

Unauthorized Population: Source Countries

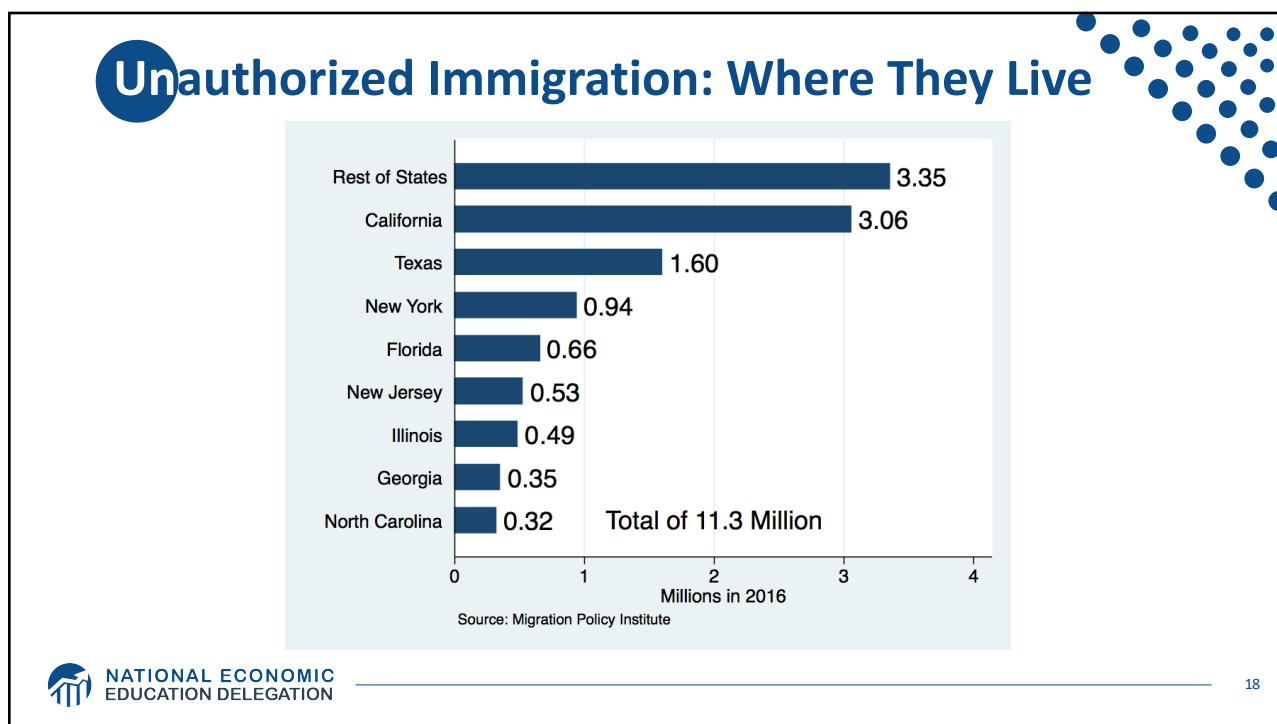
In thousands

	2017	2007	Change
Latin America			
Mexico	4,950	6,950	-2,000
Central America	1,900	1,500	+400
South America	775	900	-130
Caribbean	475	475	—
Other regions			
Asia	1,450	1,300	+130
Europe, Canada	500	650	-150
Middle East	130	140	—
Africa	250	250	—
U.S. total	10,500	12,200	-1,750





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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 <small>Entry w/o Inspection</small>
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.



Why Do We Care? Economic Implications

- GDP
- Labor markets
- Government revenue and spending



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.



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Immigration and Labor Markets



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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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Labor Market Implications: Low-Skill Immigrants

- **Suppose the immigrants are less skilled than the native-born population in a city**
 - Short run: *low-skilled* workers are losers
 - Supply of low-skilled workers goes up, so their wages go down.
 - Long run: there need not be any losers, but there may still be
 - Prices adjust
 - Purchasing power of low-skilled workers need not be lower.
 - **Subtlety:** Opportunities for low-skilled native-born workers expand as the economy expands.
 - Greater demand for English-proficient workers.



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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.



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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

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



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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.



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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
 - May not all be due to immigrant patenting
 - Increased immigration may increase 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.



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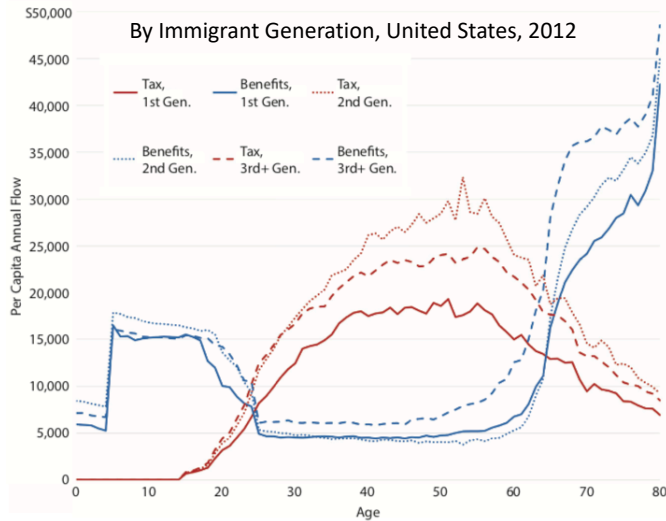


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Age-Specific Taxes and Benefits



21 year old immigrant with a high school diploma: +126,000

Figure turns negative for immigrants in their mid-thirties and older.

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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 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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What About Crime?

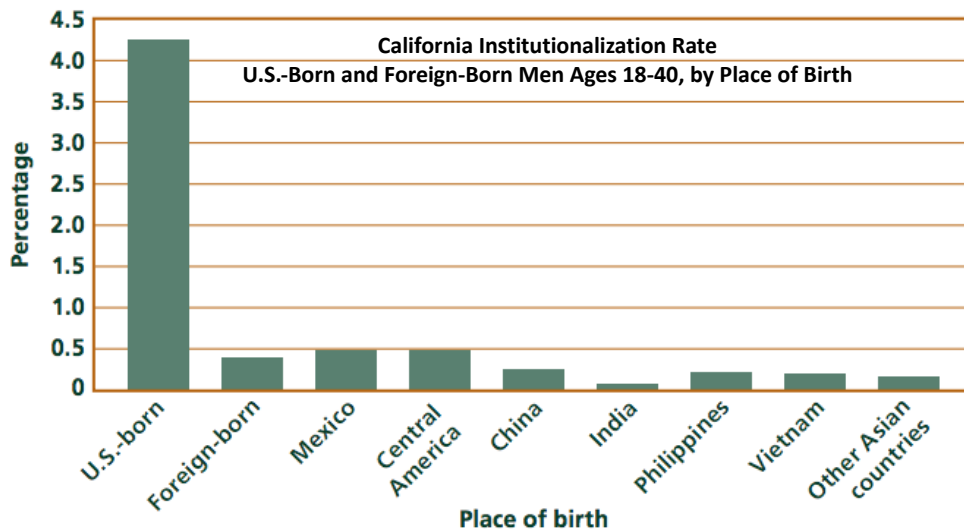


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Crime: Incarceration Rates in California



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Source: Butcher & Piehl (2008).

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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 may well lower the wages of low-skilled workers.
 - But also increases labor force participation among highly skilled workers.



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About Conventional Wisdom

- **Native-born unskilled workers**
 - There may be some negative impact on their wages.
 - But much less than is commonly thought.
- **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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