



*Osher Lifelong Learning Institute - Berkeley*

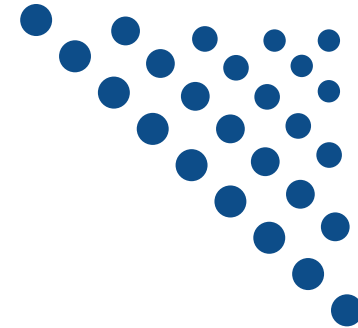
# Contemporary Economic Policy Issues

Fall, 2020

**Jon Haveman, Ph.D.**

National Economic Education Delegation

# 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.

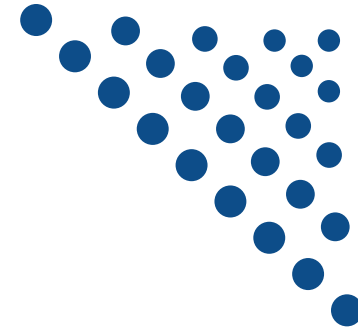
- **Mission**

- 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**

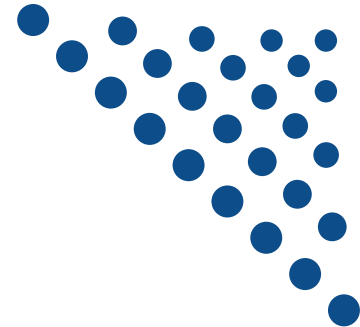
- Are **nonpartisan** and intended to reflect the consensus of the economics profession.

# Course Outline



- **What Economists Know About Important Policy Issues**

- Week 1 (9/21): Coronavirus Economics
- Week 2 (9/28): Economic Mobility (Oana Tocoian, UCSD)
- **Week 3 (10/5): Economics of Immigration**
- Week 4 (10/12): Racially Discriminatory Policies
- Week 5 (10/19): Racial Inequities
- Week 6 (10/26): Health Economics (Veronika Dolar, SUNY, Od Westbury)
- Week 7 (11/2): Infrastructure Economics (Mallika Pung, Univ. New Mexico)
- Week 8 (11/9): Autonomous Vehicles

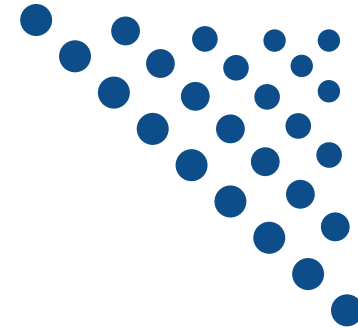


# The Economics of Immigration

OLLI – Berkeley  
Lecture 3



# Credits and Disclaimer



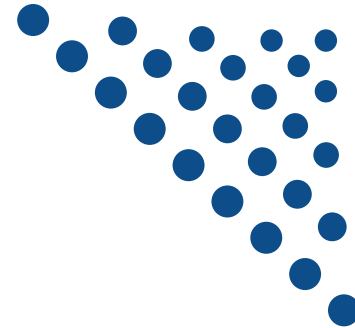
- **This slide deck was authored by:**

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- Roger White, Whittier College

- **Disclaimer**

- NEED presentations are designed to be nonpartisan.
- It is, however, inevitable that the presenter 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).

# Outline



- **What is immigration?**
- **Why do people migrate?**
- **History of immigration into the U.S.**
- **Economics of immigration**

# What is Immigration?



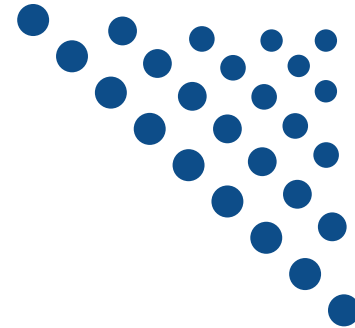
- **Immigration**

- 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.

# Why do People Migrate?



- **Push factors:**

- Economic dislocation, domestic violence, population pressures, religious persecution, or denial of political rights.

- **Pull factors:**

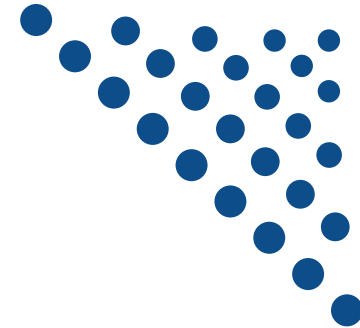
- Potential for higher wages, job opportunities, and political or religious liberty.

- **Uneven Development:**

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



# Why do People Migrate?



## Levels of Decision-Making

- **Individual level:**
  - Economic opportunity, escape social turmoil.
- **Family level:**
  - Desire of the family to improve its security or level of economic well-being.
  - “Remittances”
- **Structural or Institutional:**
  - War, better information about opportunities, easier transportation, income differentials between countries.
  - Changes in immigration policies.

# History of U.S. Immigration

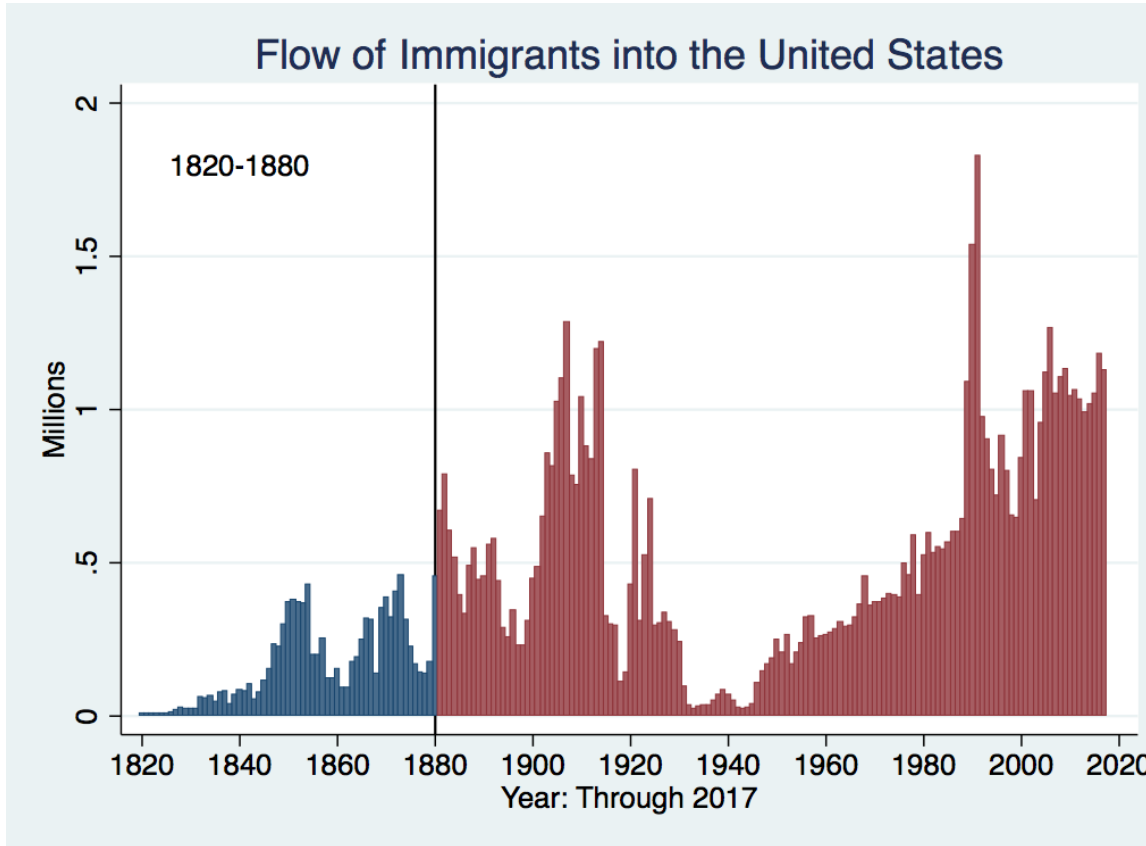
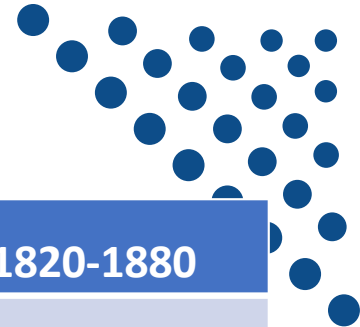


Source Country	Pre-1790
<b>African*</b>	300,000
English	300,000
Scots-Irish	100,000
German	100,000
Scottish	75,000

Source Country	1790-1820
<b>African*</b>	85,000
Scots-Irish	50,000
English	45,000
French	40,000
German	25,000

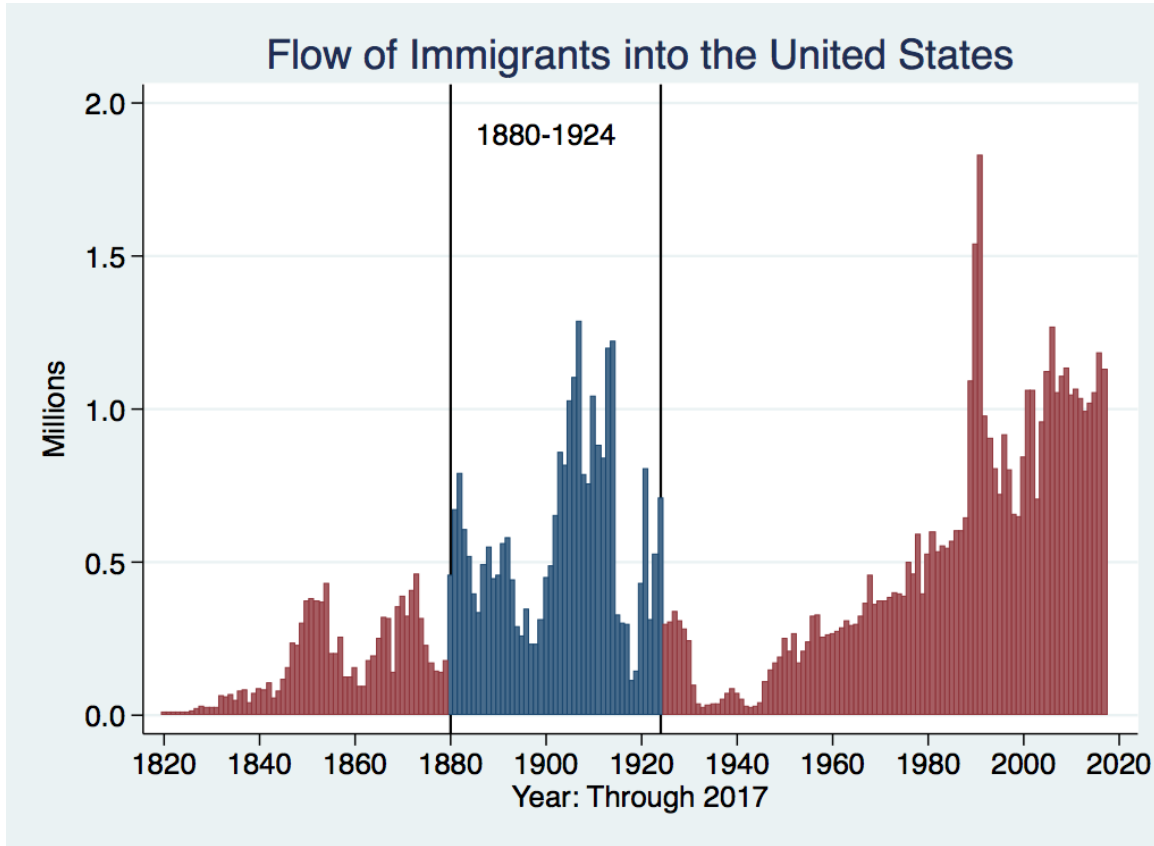
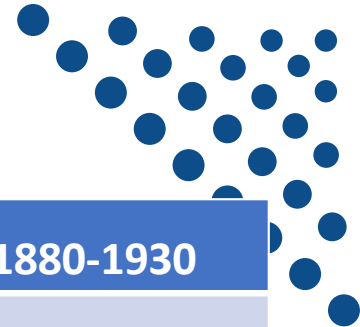
\* Slave trade and clearly not voluntary or reflective of standard motivations for immigration.

# History of U.S. Immigration



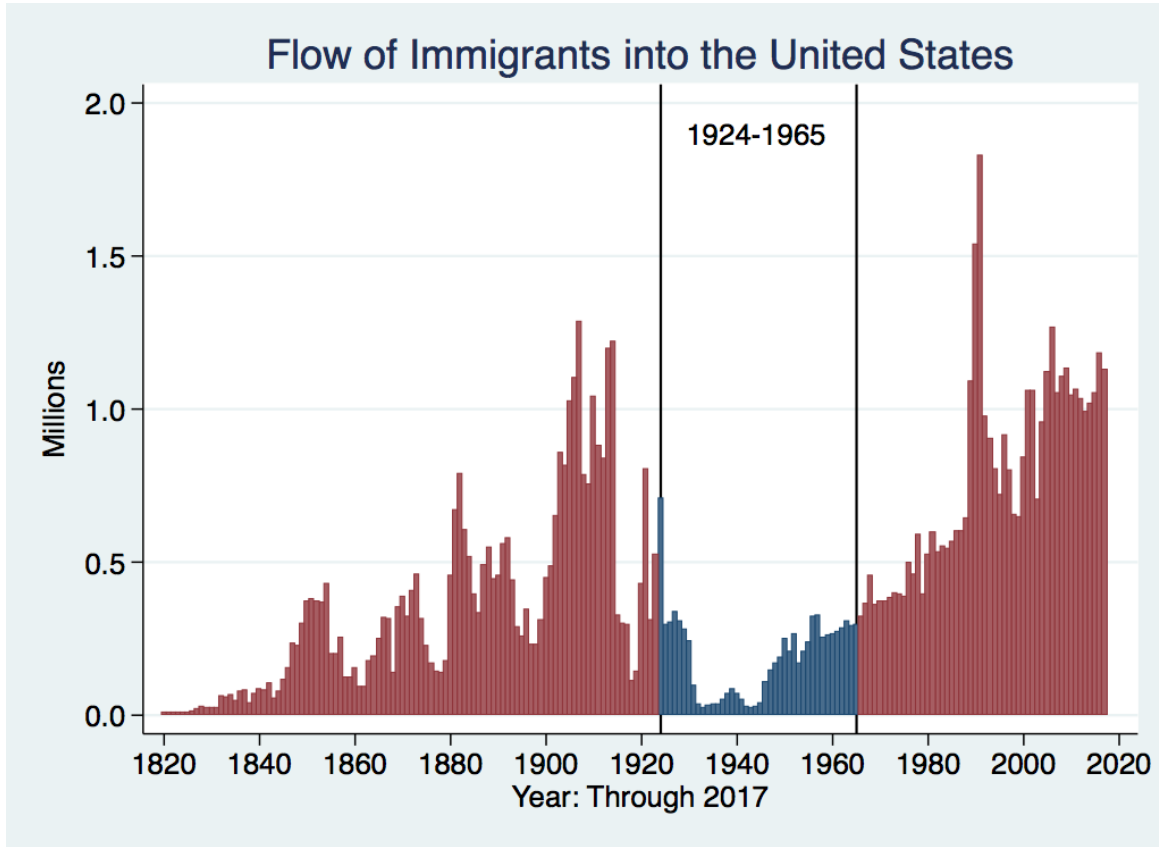
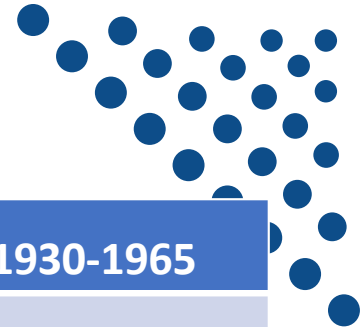
Source Country	1820-1880
Germany	3,000,000
Ireland	2,800,000
Britain	2,000,000
Austro-Hungarian Empire	1,000,000
Canada	750,000
China	230,000
Africa	50,000

# History of U.S. Immigration



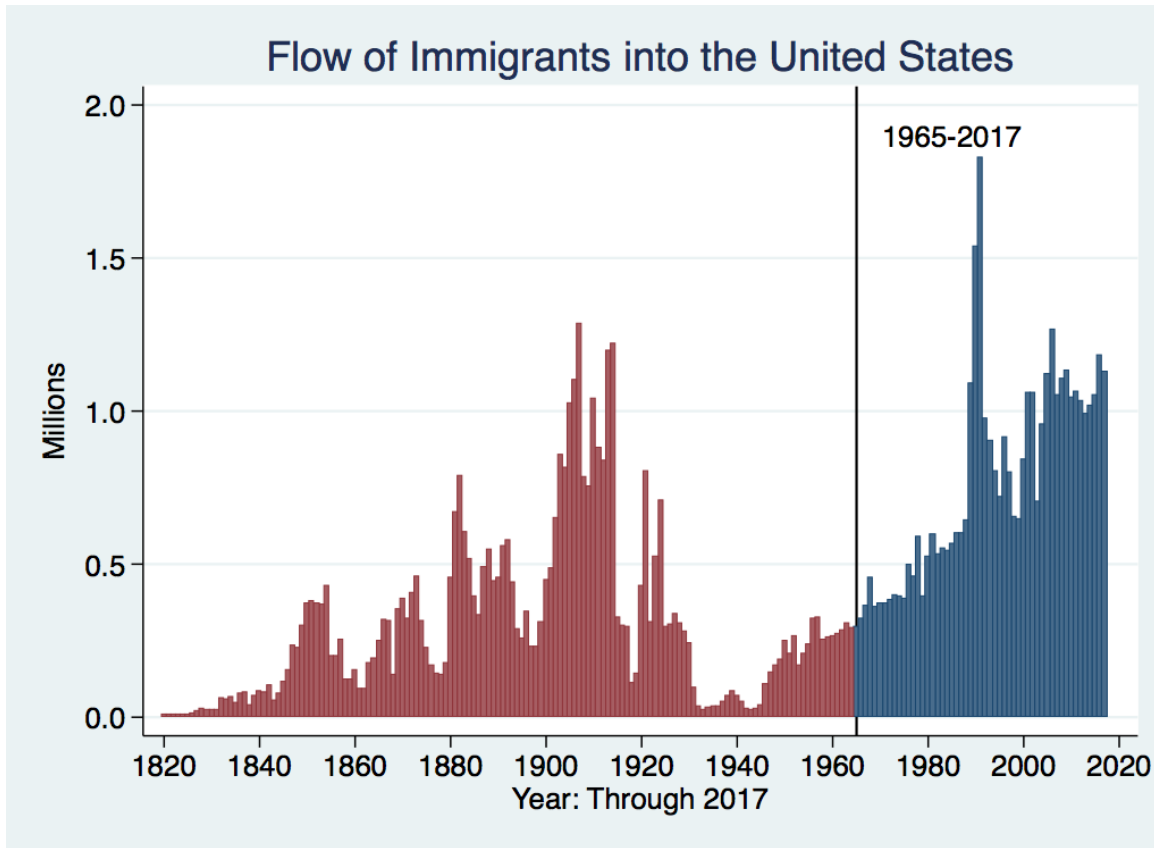
Source Country	1880-1930
Italy	4,600,000
Austro-Hungarian Empire	4,000,000
Russian Empire	3,300,000
German Empire	2,800,000
Britain	2,300,000
Canada	2,300,000
Ireland	1,700,000

# History of U.S. Immigration



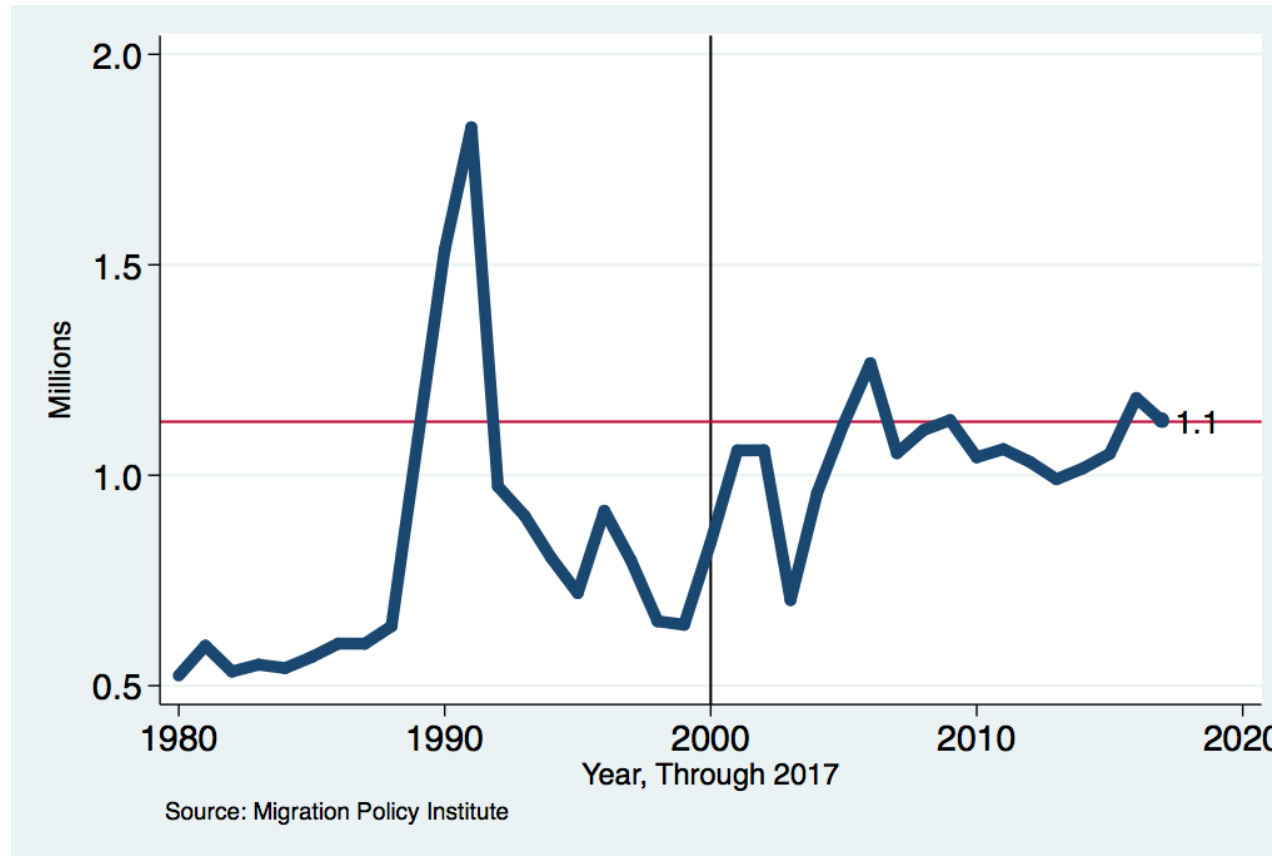
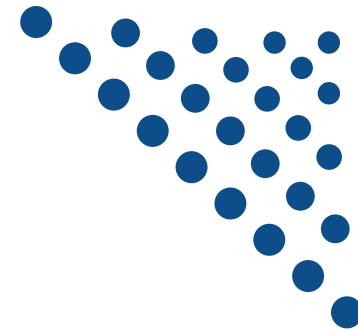
Source Country	1930-1965
Germany	940,000
Canada	900,000
Mexico	610,000
Britain	480,000
Italy	390,000
Caribbean/ West Indies	310,000

# History of U.S. Immigration: 1965-Today



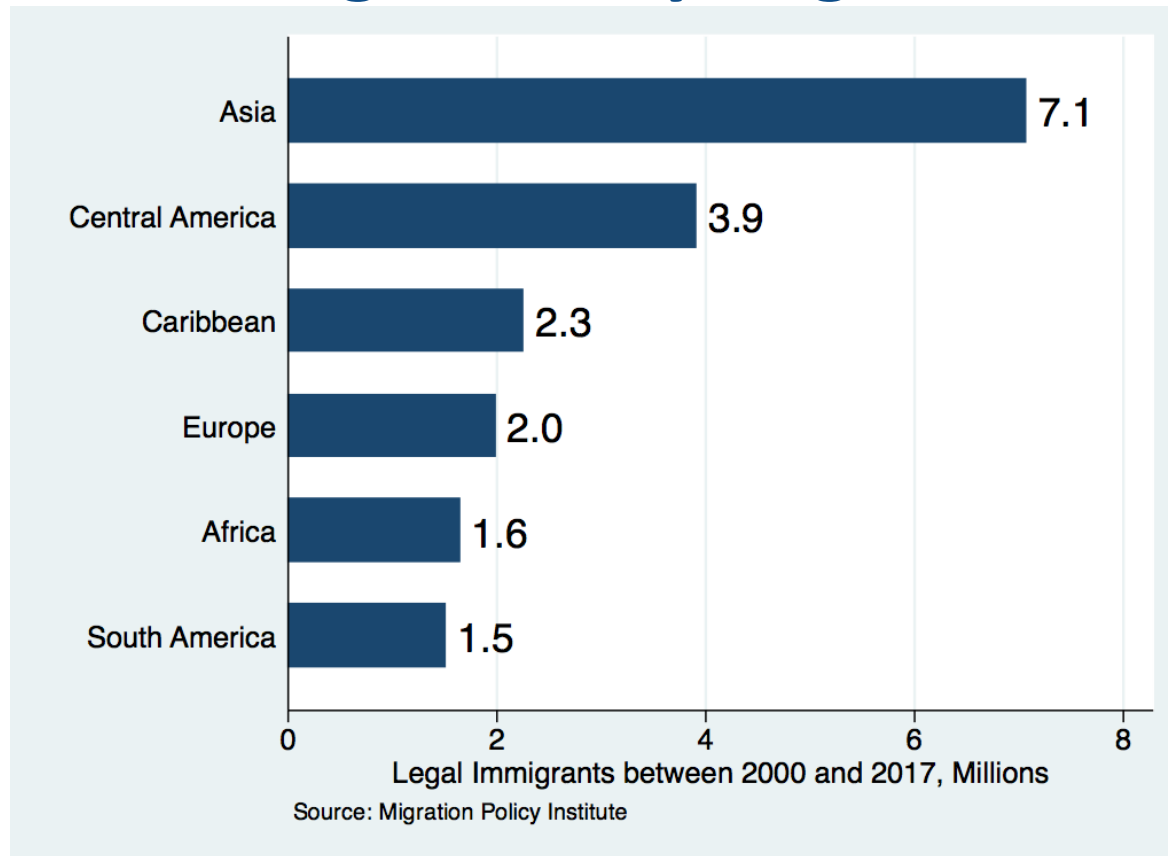
Source Country	1965-2017
Mexico	4,300,000
Philippines	1,400,000
Korea	760,000
Dominican Republic	750,000
India	740,000
Cuba	700,000
Vietnam	700,000
Canada	650,000

# Recent Trends in Authorized Immigration

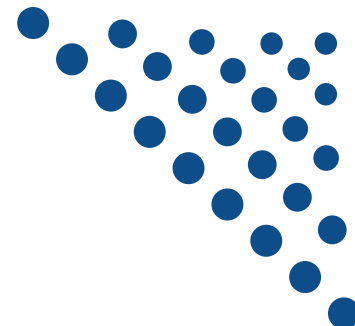




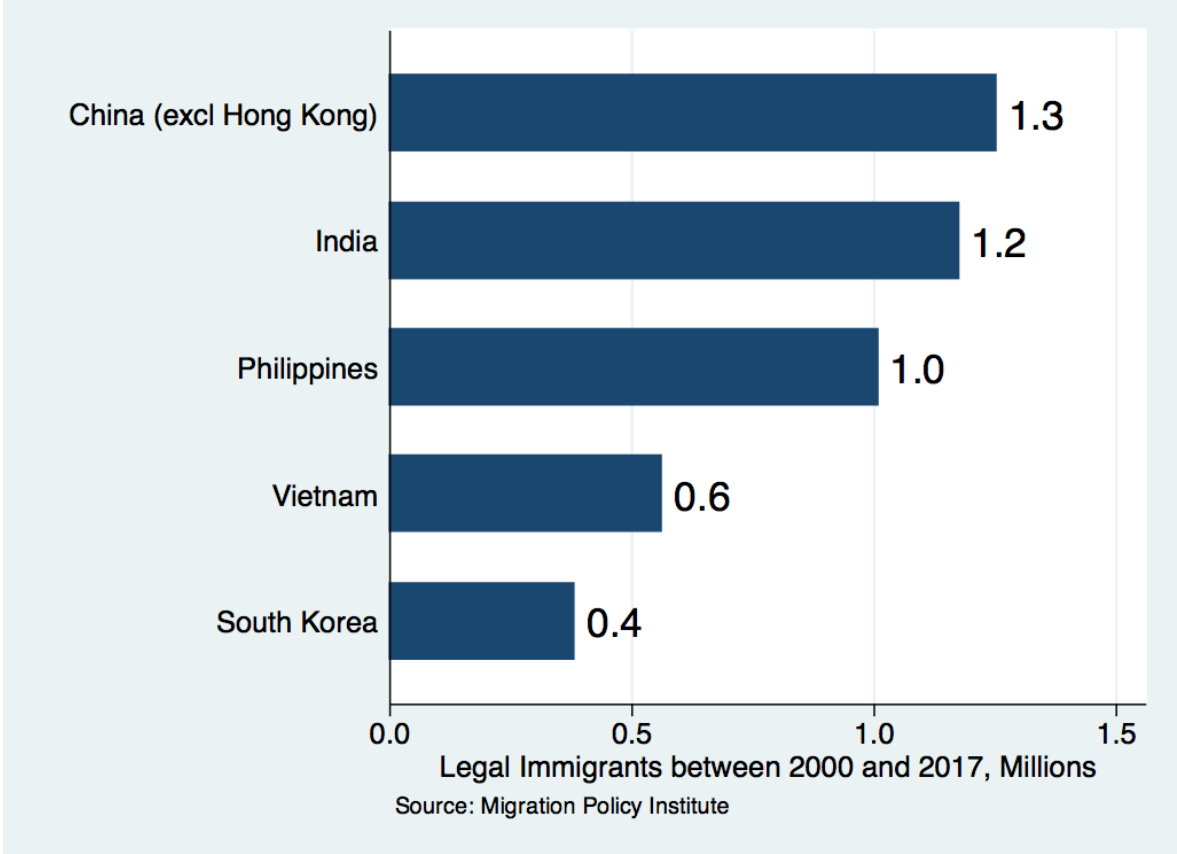
# Authorized Immigration by Region



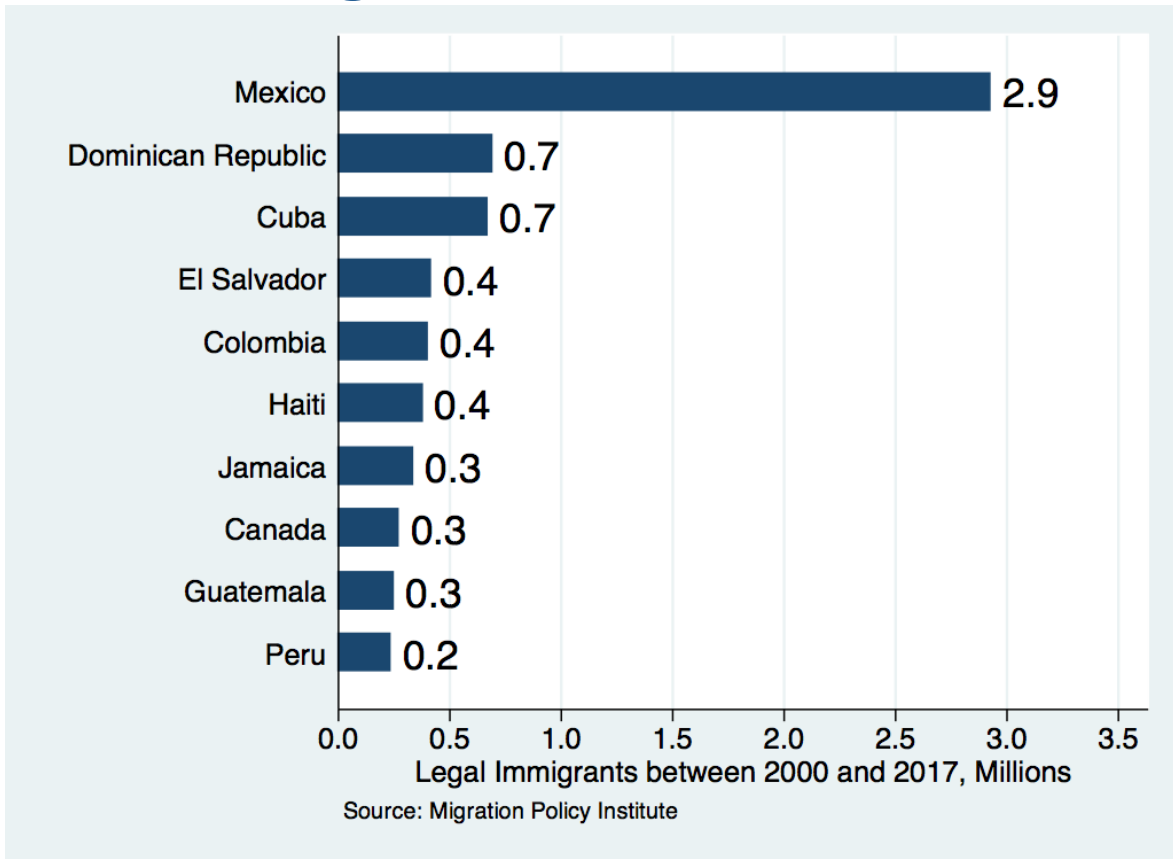
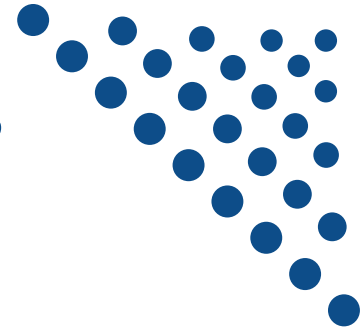


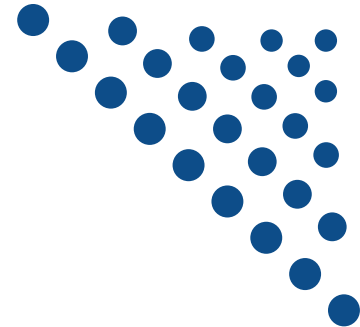


# Authorized Immigration from Asia



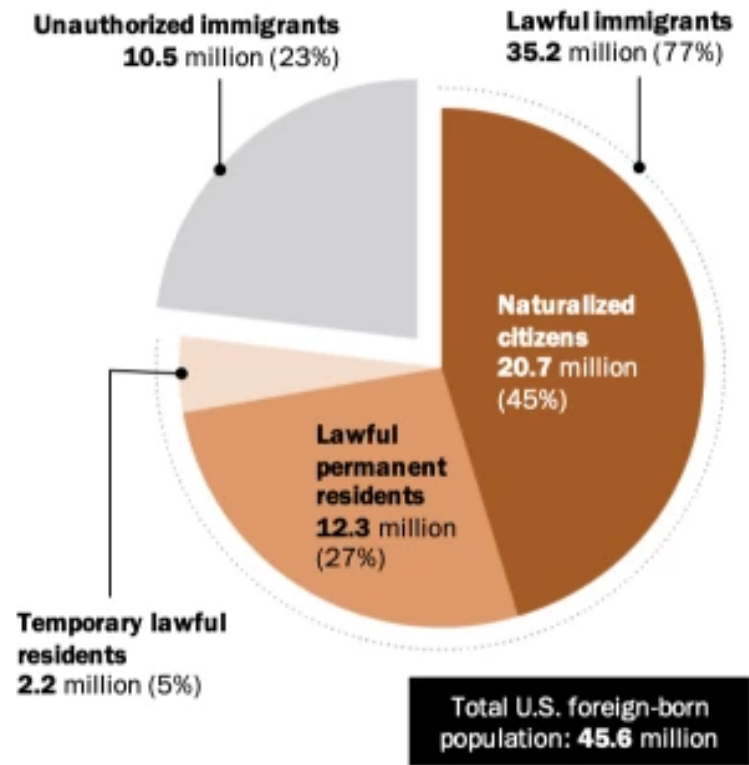
# Authorized Immigration from the Americas



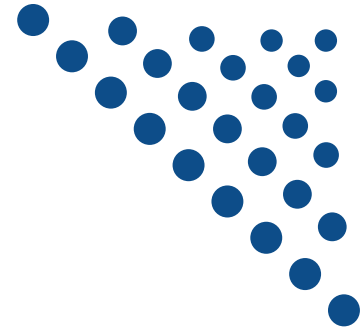


# Immigrant Population in 2017

*Foreign-born population estimates, 2017*

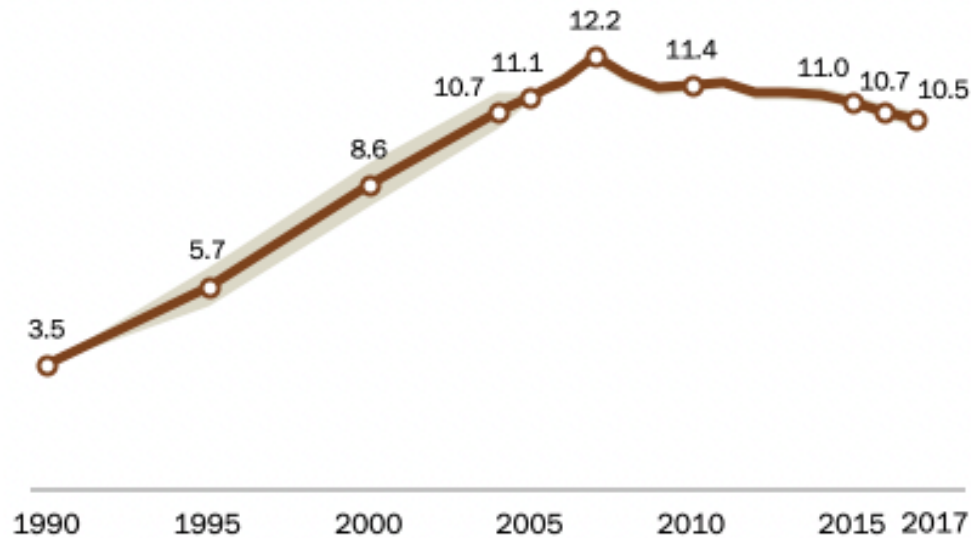


# U.S. Unauthorized Immigration Totals



## U.S. unauthorized immigrant total rises, then falls

*In millions*



Note: Shading shows range of estimated 90% confidence interval.

Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

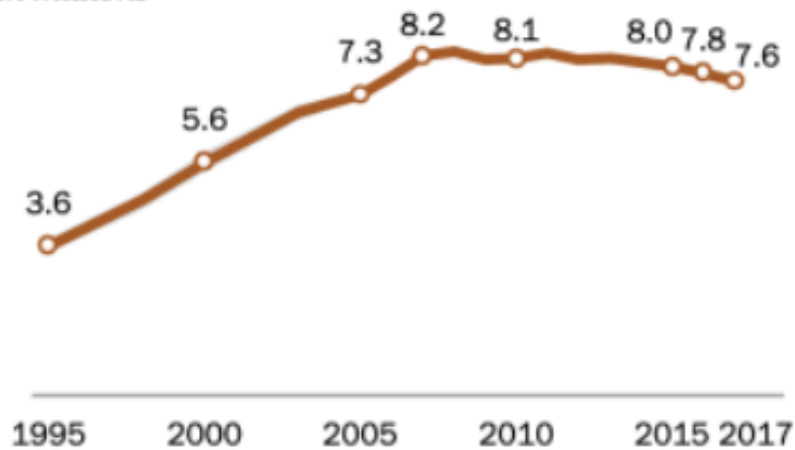
**PEW RESEARCH CENTER**

# U.S. Unauthorized Immigration: Labor Force



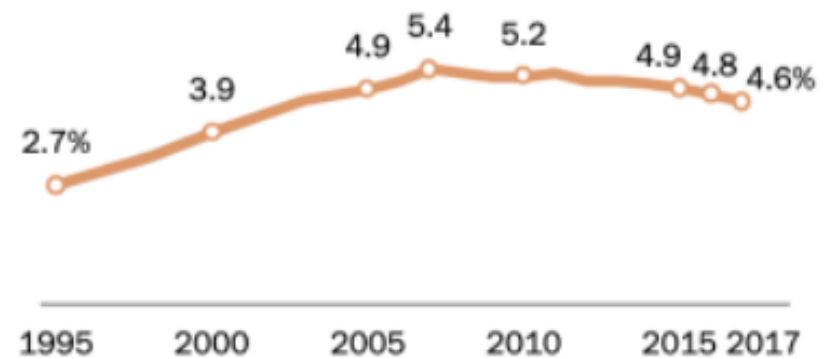
### Number of unauthorized immigrants in U.S. workforce ticks down

*In millions*

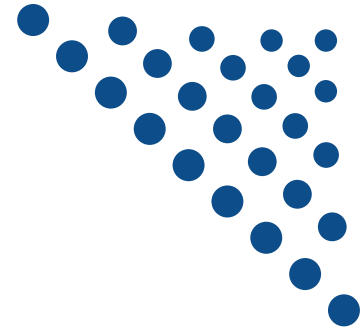


### Unauthorized immigrants decline as a share of the U.S. labor force

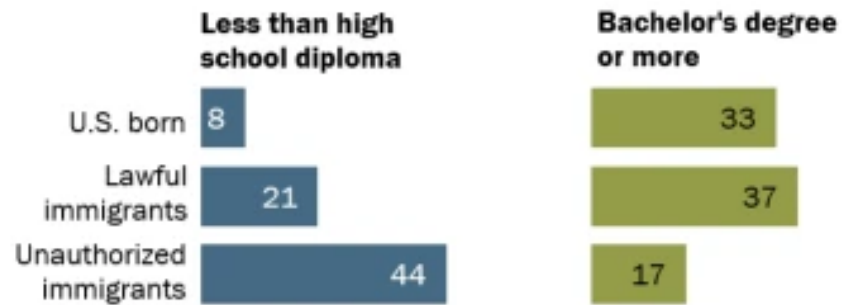
*%*



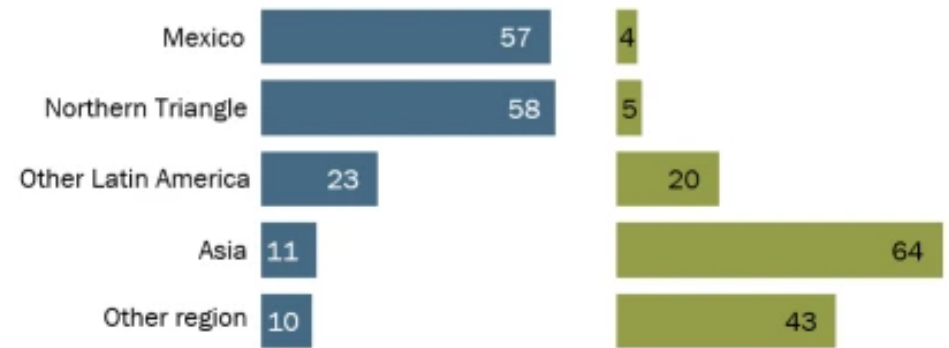
# Unauthorized Immigration: Education



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

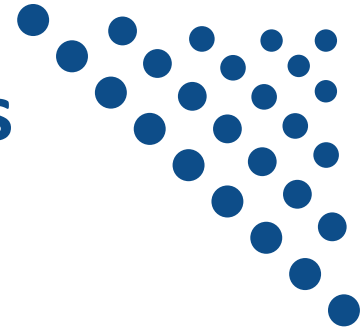


*Among unauthorized immigrants from ...*



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

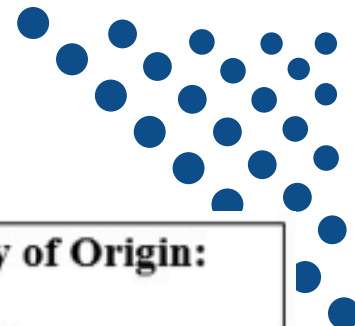
# Unauthorized Population: Source Countries



*In thousands*

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

# 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)**

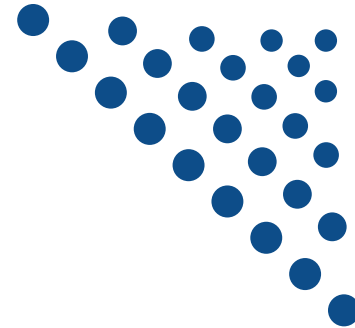
Country	Total arrivals	Country	Overstays	Country	EWIs Entry w/o Inspection
<b>All countries</b>	<b>515</b>	<b>All countries</b>	<b>320</b>	<b>All countries</b>	<b>190</b>
Mexico	145	Mexico	50	Mexico	95
El Salvador	35	India	25	El Salvador	35
Guatemala	30	China	25	Honduras	25
Honduras	30	Venezuela	20	Guatemala	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.*

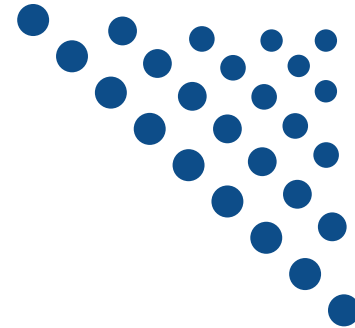


# Why Do We Care? Economic Implications



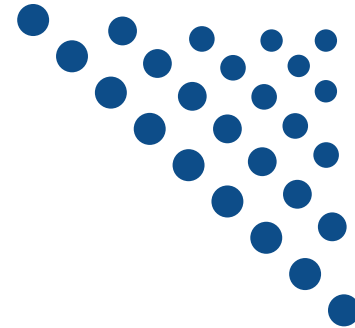
- GDP
- Labor Markets
- Government revenue and spending

# Two Sets of Implications



- **Aggregate effects: The size of the pie**
- **Income distribution: The slices of the pie**

# GDP: How Does This Work?

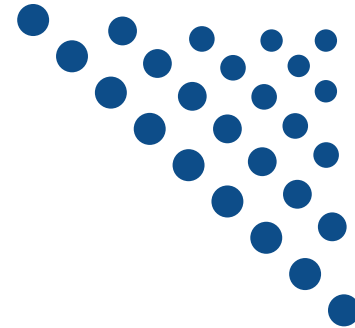


- **What determines the size of an economy?**
  - Technology/productivity
  - Physical capital
  - The number of workers
    - Immigration adds to the number of workers.
- **Number of immigrants in the labor force is large**
  - 28.2 million foreign-born persons ages 16+ in the labor force in 2018.
  - 17.4% of the total U.S. Workforce.
- **Evidence**
  - Immigrants added 11% to GDP (\$2 Trillion) in 2016.



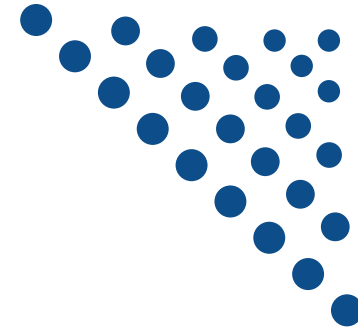
# Immigration and Labor Markets

# Labor Market Implications: Complicated



- **Depends on the type of immigrant: Skills/education**
  - Similar to native-born population?
  - Low-skilled?
  - High-skilled?
  
- **Brings with it capital market implications**
  - Low-skilled – capital supplementing
  - High-skilled – capital complementing

# 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.

# Labor Market Implications: Basic Case



- **Suppose the immigrants have the same skills as the native-born population in a city**
  - Short run: *workers lose owners of capital win*
    - Higher ratio of labor to capital.
      - Wages decline and returns to capital rise.
  - Long run: *there are no losers or winners*
    - Capital flows into the city
      - Because the returns are now higher here than elsewhere
    - The original ratio of labor to capital is restored.

# Labor Market Implications: Low Skilled 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.



# Labor Market Implications: General Principles



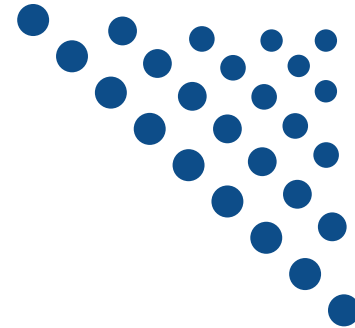
- **Short run**

- Harm likely to native-born workers that are similar to the immigrants.
- Benefit likely for other workers and owners of capital.

- **Long run**

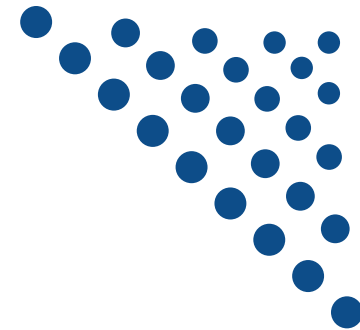
- ***Lower prices*** will restore some of the purchasing power of those harmed.
- ***Expanded opportunities*** may restore wages of harmed native-born workers.
- Inflows of other types of labor and capital may ***return the economy to its pre-immigration wage structure and production patterns.***

# Labor Market Implications: The Surplus



- **The Surplus**

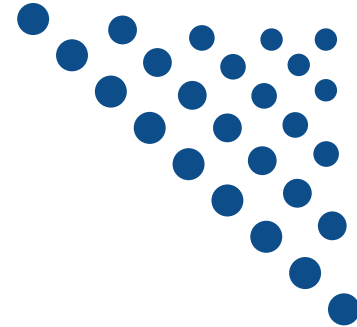
- Immigration CAN make all native-born workers and capital more productive.
  - o This increases incomes of the native-born.
- In other words, the economy might not just get bigger, it might become more productive as well!
- This will, on average, increase the living standards of all native-born workers and owners of capital.
- Evidence: 1% increase in adult migrants as a share of population leads to a 2% increase in per capita GDP (IMF).



# 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.

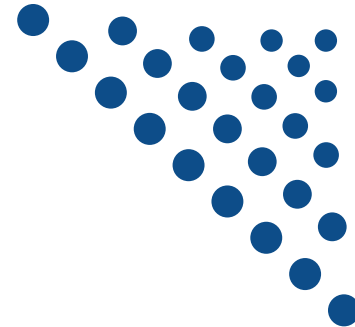
# Counterintuitively



- **Immigration can increase native worker wages:**

- More demand for jobs where English is necessary
- Increased demand for goods and services – increases wages in those industries.
- Each immigrant creates 1.2 local jobs – mostly for native-born workers.

# Pathway of Wage and Employment Effects



Inflows of Low Skilled Immigrants



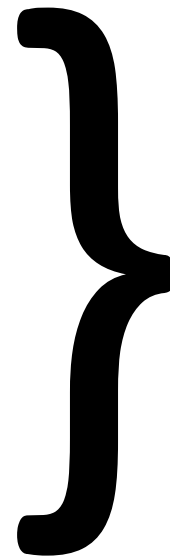
Previous Immigrants



Disadvantaged Minorities



Native HS Dropouts

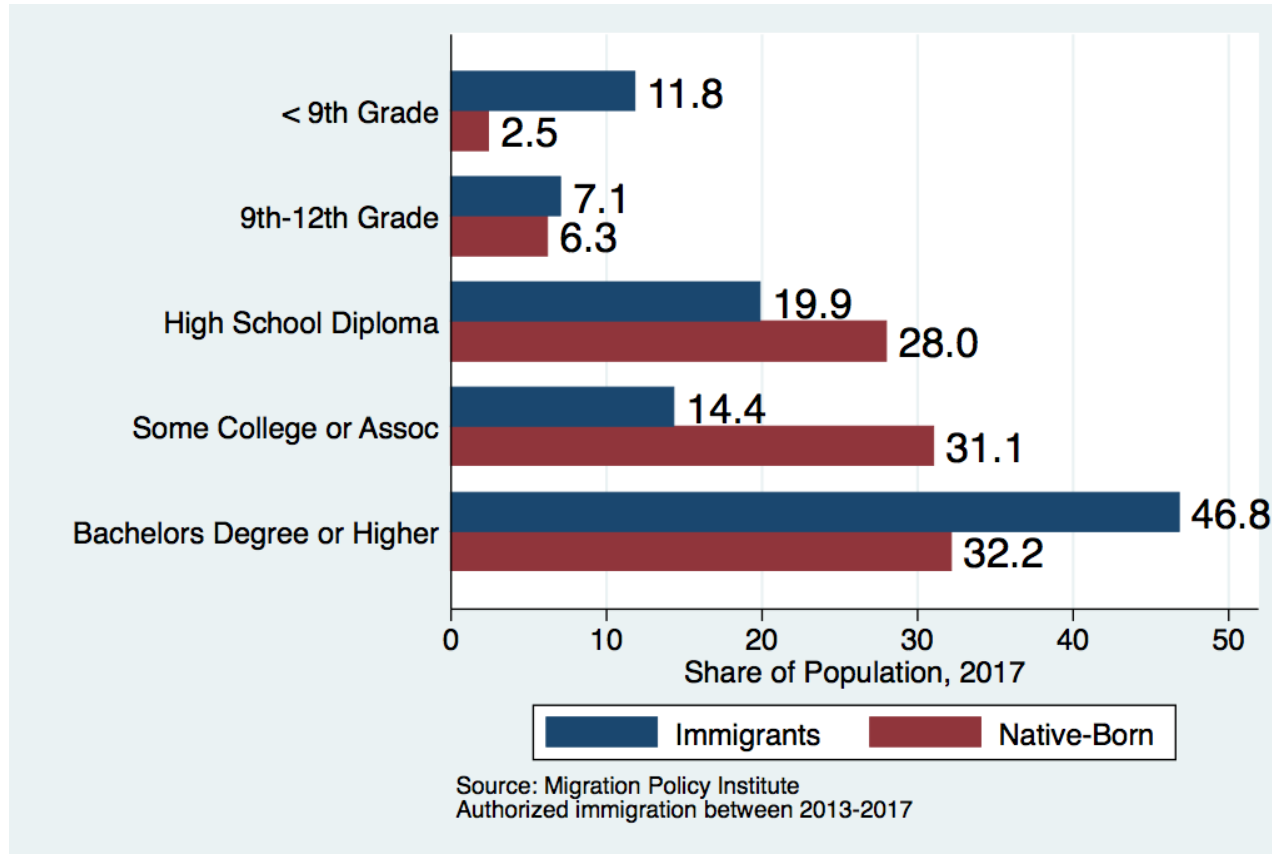


Order of Impact

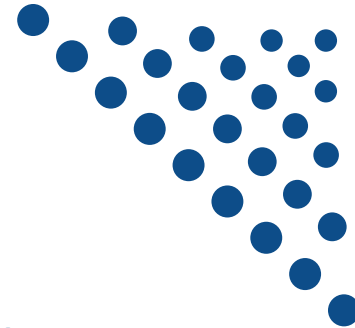
Impact is negative,  
But is smaller  
at each step.

**Positive influence on wages and employment of other workers.**

# Recent Immigrants are Less and More Educated

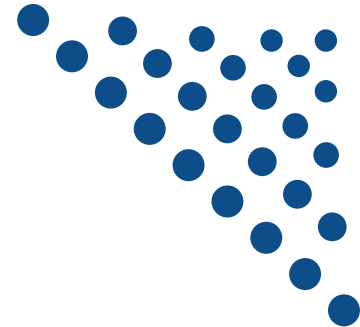


# Skilled Immigrants and Innovation

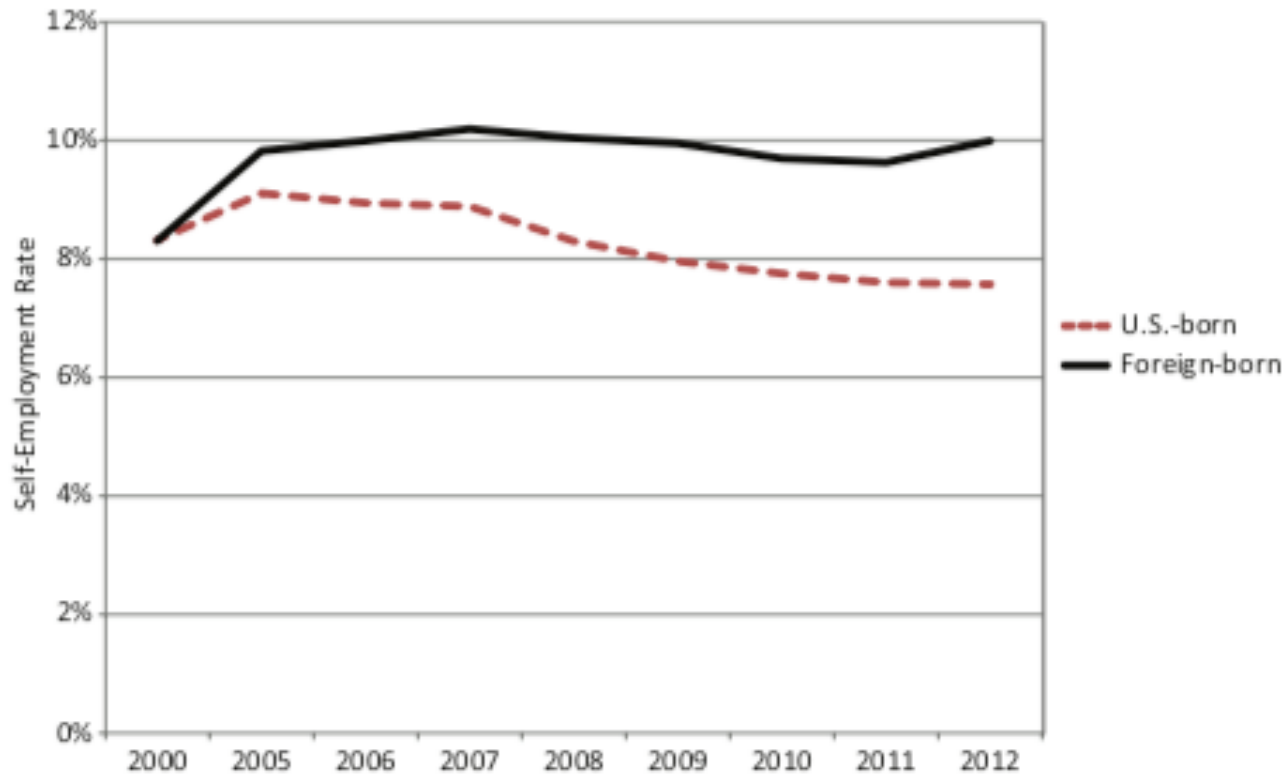


- **1% increase in immigrant college graduates' population share**
  - 9-18% increase in patenting per capita
  - May not all be due to immigrant patenting.
  - Increased immigration may increase patenting by native population.
  - Nonetheless, the effect is positive.
- **In the 1990s**
  - Increased skilled immigration can account for 1/3 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.

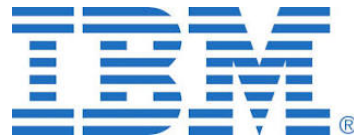
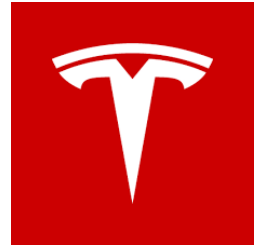
# Immigrants and Entrepreneurship



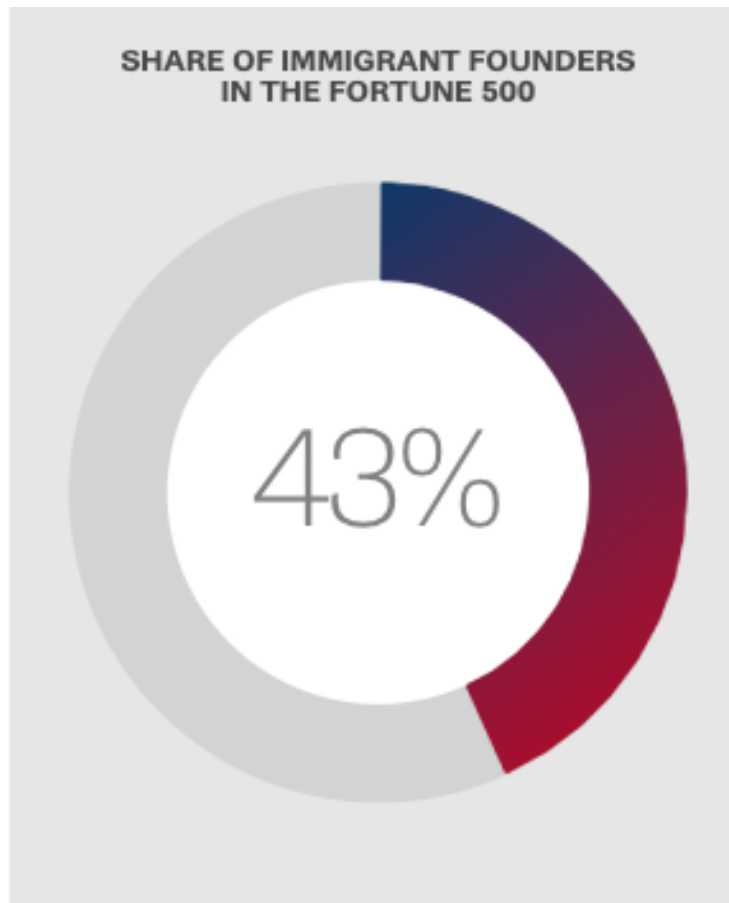
## Self-Employment Rates by Nativity

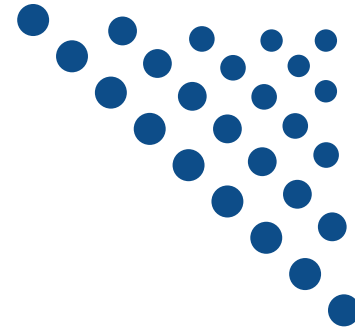






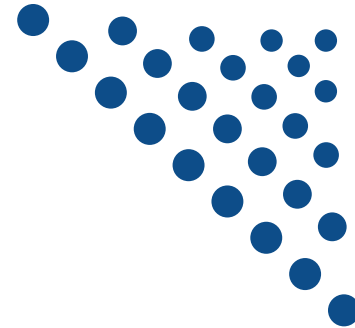
# Fortune 500: 1<sup>st</sup> and 2<sup>nd</sup> Generation Founders





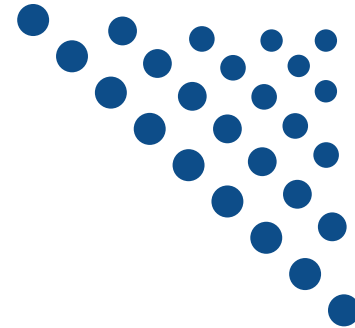
# Government Revenues and Expenditures

# Why is this Important?



- **Important factor for understanding whether immigrants will be net contributors to the nation.**
- **Two additional reasons:**
  - Taxpayer inequities across geographies.
  - Necessary to understand the full consequences of admitting additional immigrants into the country.

# Topics?



- **Basic Question:**

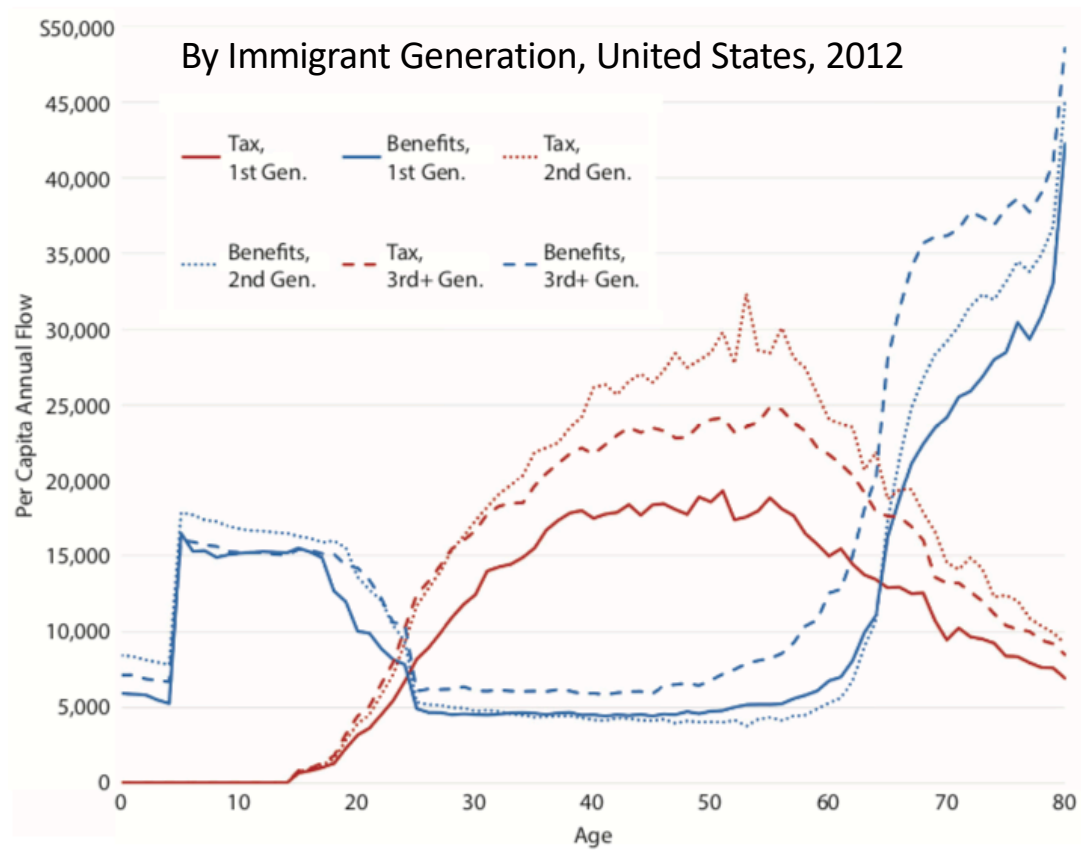
- Taxes (income, sales, and other) immigrants pay vs government expenditures on public benefits and services they receive.

- **More complicated:**

- Immigrants also affect the fiscal equation for many natives.
  - Indirectly through labor and capital markets.
  - Changes in wages and the return to capital.



# Age-Specific Taxes and Benefits

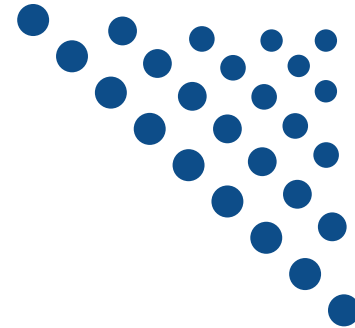


# What Do We Know?



- **Immigrants arriving while of working age:**
  - Are, on average, net contributors.
  - 21-year-old with a high school diploma: +\$126,000 over lifetime
    - Though this value gradually declines with age at arrival.
    - Turns negative for arrivals of age 35+
- **Net contribution depends crucially on characteristics**
  - Age distribution, family composition, health status, fertility patterns
  - Temporary or permanent relocation
  - Employment on the legal labor market
  - Documented or undocumented

# Bottom Line/Consensus of Estimates



- **Federal level: fiscal impact is generally POSITIVE.**
- **State and local level: typically NEGATIVE fiscal impact.**

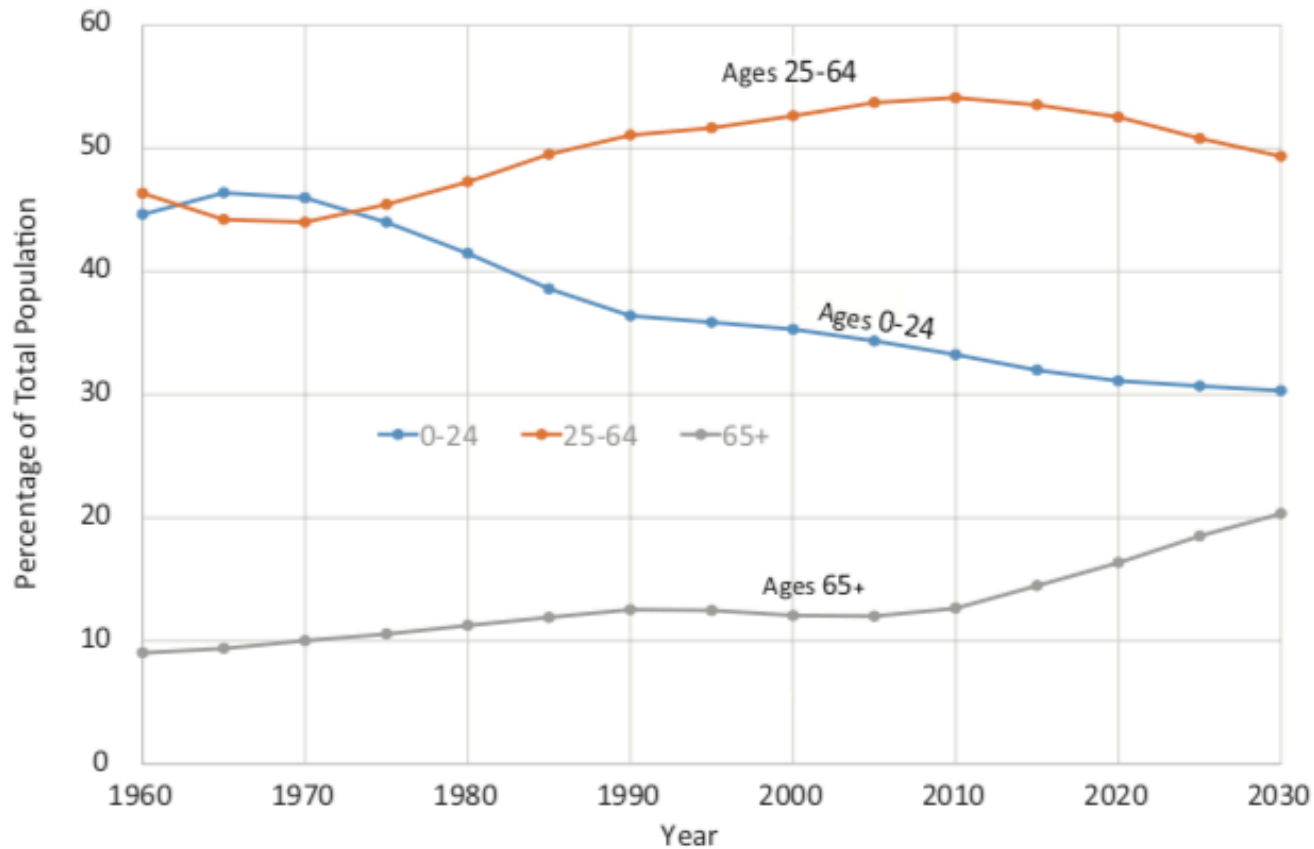
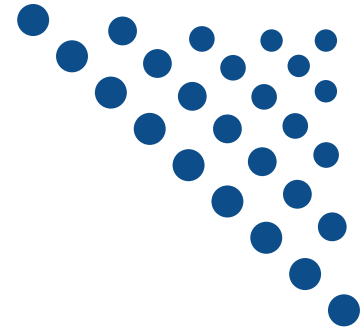


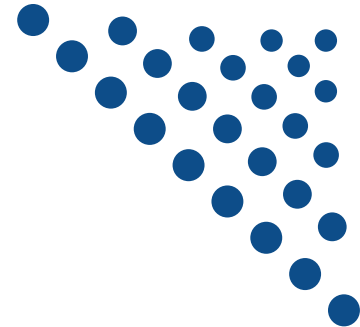


# Implications for Major Federal Programs

- **Documented immigrants are less likely to use Social Security and Medicare.**
- **Undocumented immigrants are ineligible.**
  - They will pay into the system, but will not receive benefits.
- **Medicaid: not available to legal residents for first 5 years.**
- **Provide a source of revenue for an aging population.**

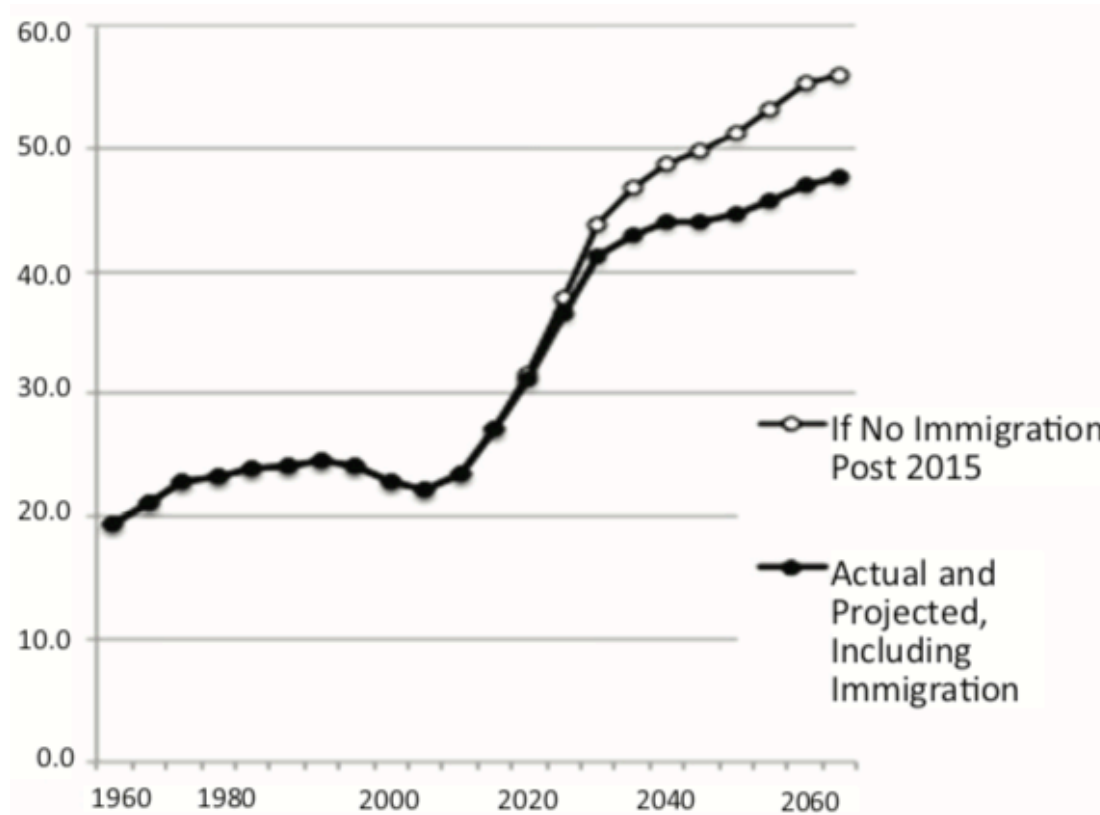
# The Aging US Population

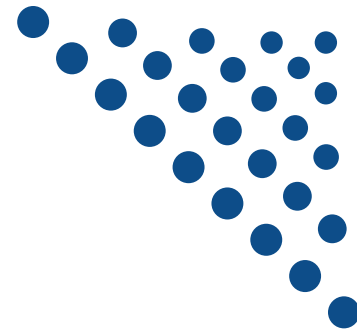




# Implications for Social Security

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

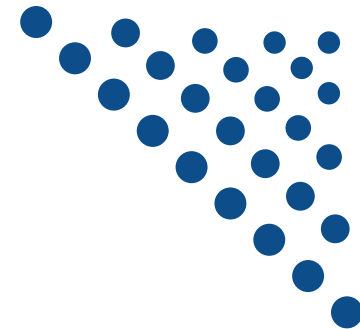




# Other Implications of Immigration



# NON-Economic Implications

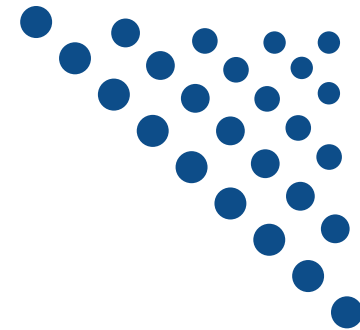


## Patterns of Integration

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

## The Big Misconception: Crime

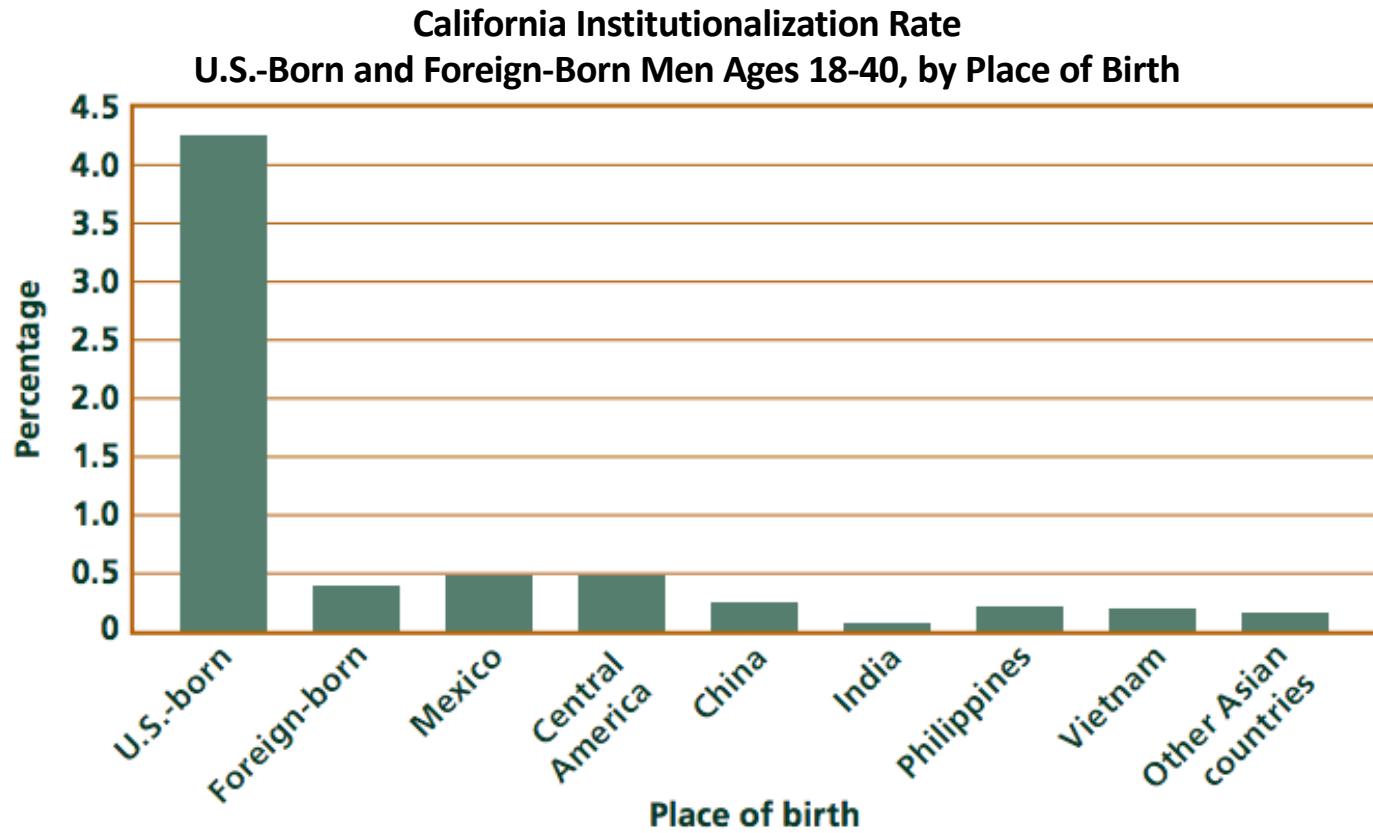
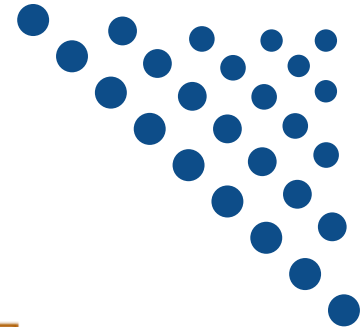
# Immigrants and Crime Rates



- **Conventional wisdom:**
  - Immigrants commit crimes more frequently than do native-born.
  - Rising immigration leads to rising crime.

## Let's Have A Look!

# Crime: Incarceration Rates in California

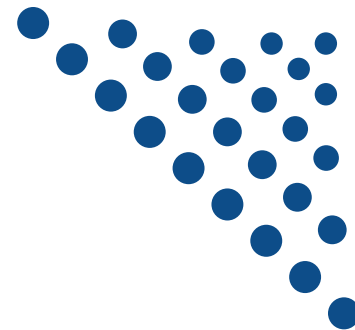


# Summary



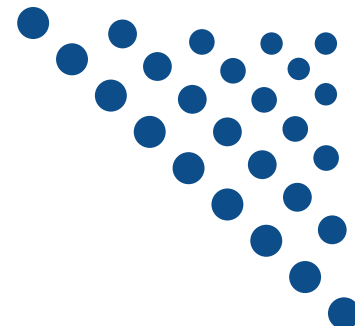
- Immigration should be thought of as increasing the population of the United States.
- This brings with it economic growth and opportunity, just as increasing the native-born population.
- Including unauthorized immigrants, the supply of low skilled workers is increased
  - This lowers the wages of low skilled workers.
  - But also increases labor force participation among skilled workers.





## 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.

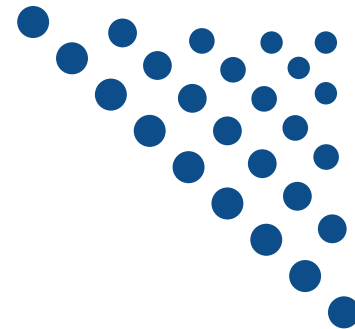


# About Conventional Wisdom

- **Native-born unskilled workers**
  - There is some negative impact on their wages.
  - But much less than is commonly thought.
- **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.
- **Crime**
  - Immigrants, both authorized and unauthorized commit crimes at much lower rates than do native-born individuals.

**Thank you!**

# Any Questions?



[www.NEEDelegation.org](http://www.NEEDelegation.org)

Jon D. Haveman, Ph.D.

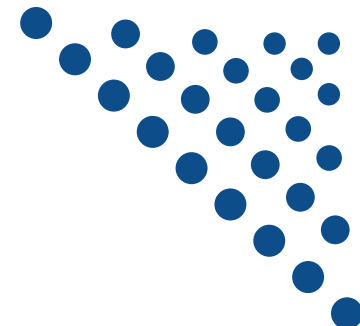
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- **Federal Debt**
- **2017 Tax Law**
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