


The Economics of Immigration

Rafael Racquet Club
April 9, 2024

Jon Haveman, Ph.D.
National Economic Education Delegation



NATIONAL ECONOMIC EDUCATION DELEGATION

1

1

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).

NATIONAL ECONOMIC EDUCATION DELEGATION

2

2

Outline

- Quiz!
- Why do people migrate?
- The nature of immigration to the US
- Economics of immigration



NATIONAL ECONOMIC
EDUCATION DELEGATION

3

Immigration Quiz

- What % of the world's population are immigrants?
 - 3.6%
- What % of the U.S. population are immigrants?
 - 14%
- How long has the average undocumented immigrant lived in the United States?
 - A. 3 months
 - B. 2 years
 - C. 10 years
 - D. 25 years
- 21% of children born to native parents are high-income earners (above the middle class).
- What % of kids born to immigrants are high-income earners?
 - A. 15%
 - B. 21%
 - C. 28%
 - D. 35%
- In 2021, 8% of Americans lived in poverty. What percent of immigrants lived in poverty?
 - 13%



NATIONAL ECONOMIC
EDUCATION DELEGATION


Source: Freakonomics – How Much Do You Know About Immigration?

4

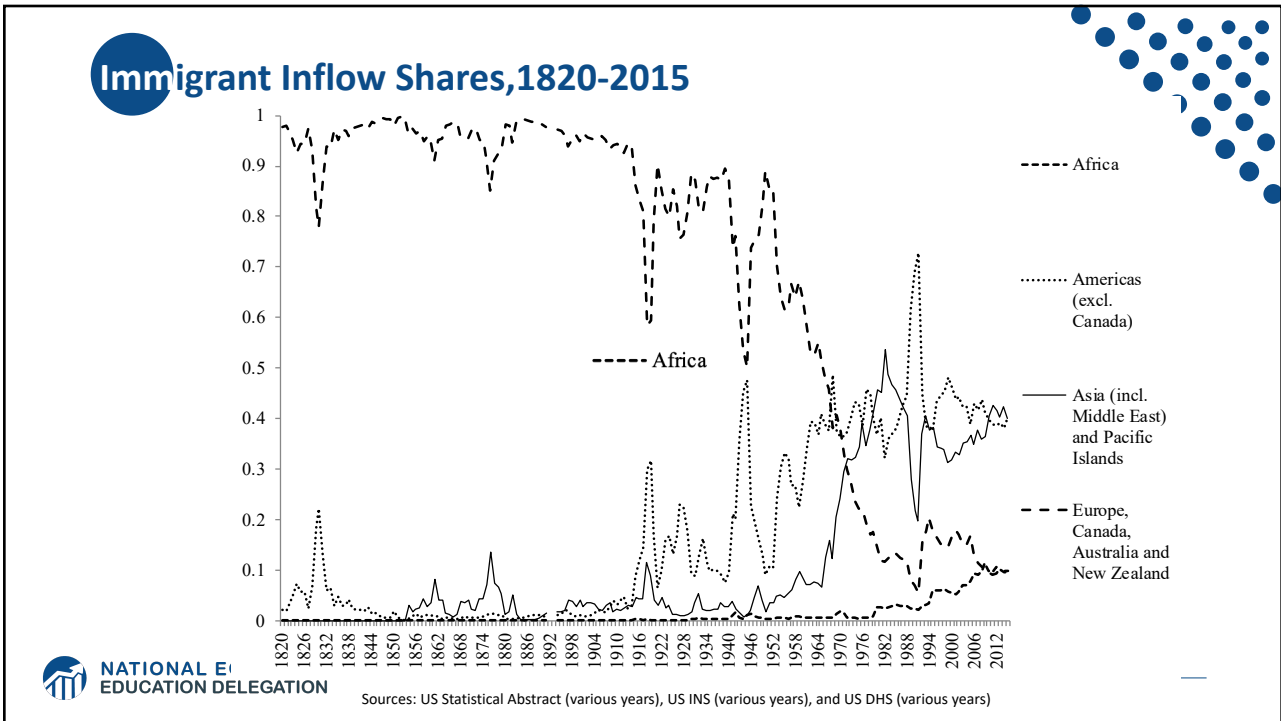
4

Immigration Quiz

- Immigrants are responsible for what % of patents in the United States?
 - **36%**
 - 23% of inventors on record
 - 13% from increase in native born patenting
- What % of green cards go to family and employment-based immigration?
 - **66% go to family-based**
- What % of the U.S. workforce are immigrants?
 - **18%**
- Native-born Americans receive \$8k on average in benefits. What is it for immigrants?
 - **\$6,000**
- 100 years ago, most immigrants were from Europe. Today, Latin America and Asia. Is the rate of assimilation:
 - **Faster? Slower? About the same?**

 NATIONAL ECONOMIC EDUCATION DELEGATION 5
 Source: Freakonomics – How Much Do You Know About Immigration?

5



6

Why Do People Migrate?

- **Push factors:**

- Disparities in income/standards of living, and the availability of jobs, violence/war, climate change, natural disasters, population pressures, economic dislocation, religious persecution, and denial of political rights.

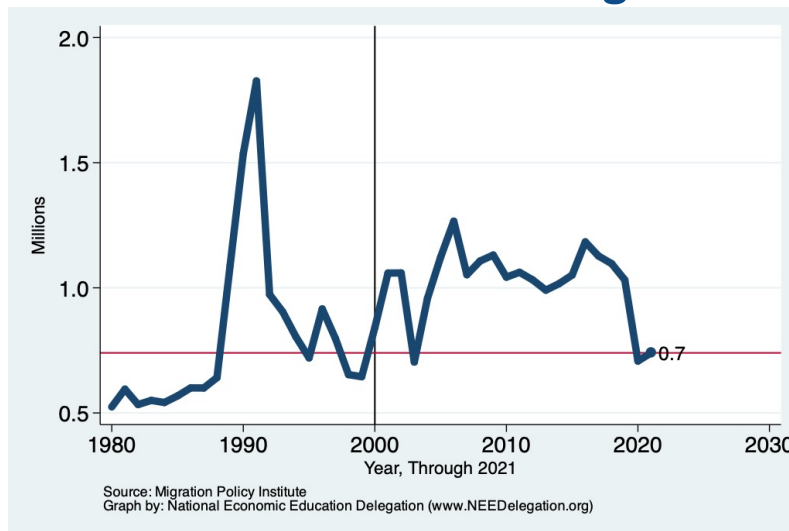
- **Pull factors:**

- Potential for economic prosperity (higher wages, job opportunities), physical security, political freedom, and religious liberty.



Source: Gilder Lehrman Institute of American History.

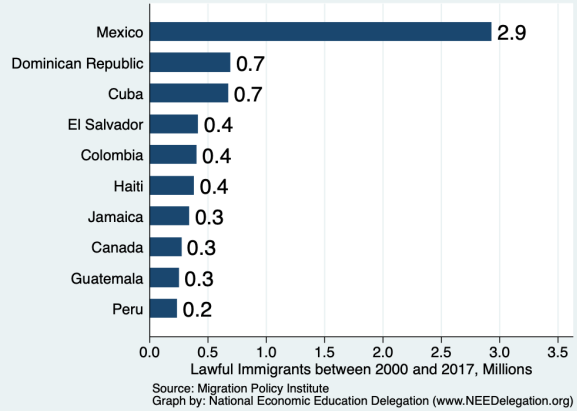
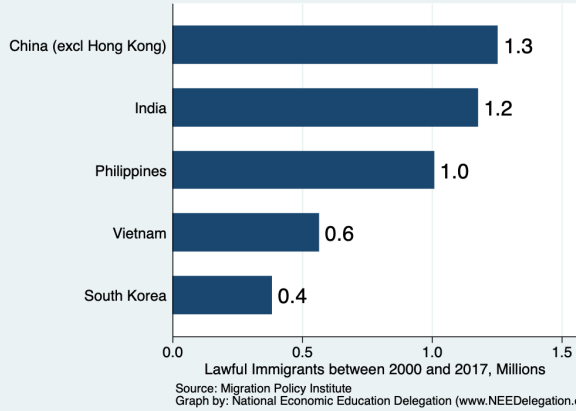
Recent Trends in Authorized Immigration



2022
1.0 Million



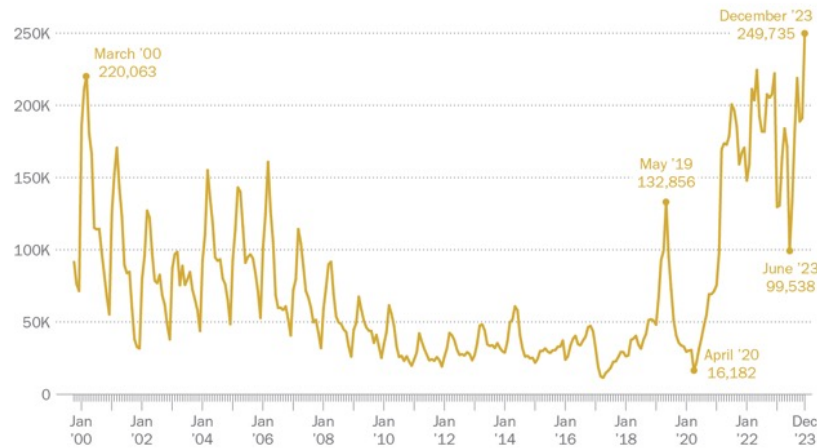
Authorized Immigration by Source



9

2023 ended with more migrant encounters at U.S.-Mexico border than any month on record

Monthly migrant encounters by U.S. Border Patrol at U.S.-Mexico border

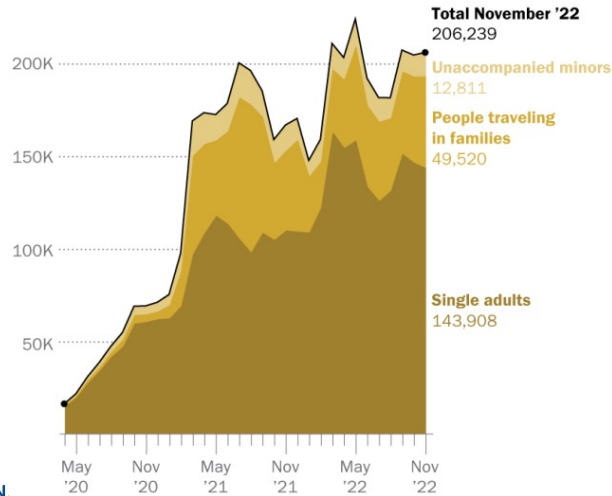


Note: Beginning in March 2020, monthly totals combine apprehensions and expulsions into a new category known as encounters. Monthly totals before March 2020 include apprehensions only. Some migrants are encountered more than once
Source: U.S. Customs and Border Protection.

10

Most Are Single Adults

Monthly migrant encounters by U.S. Border Patrol at U.S.-Mexico border involving ...



Evidence suggests:

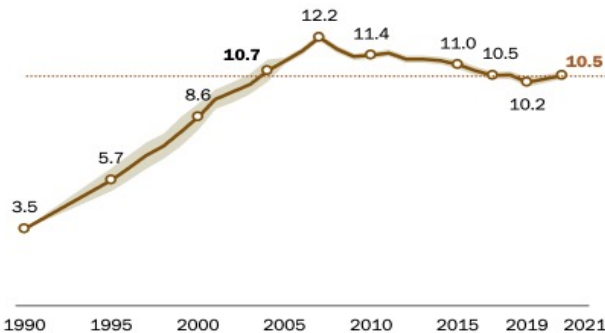
- Most unaccompanied minors are coming to join family members who are already here.
- The population of minors in the U.S. without a parent has not increased.

11

U.S. Unauthorized Immigration Totals

The number of unauthorized immigrants in the U.S. remained mostly stable from 2017 to 2021

Unauthorized immigrant population in the United States, in millions



Note: Shading shows range of estimated 90% confidence interval.
Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

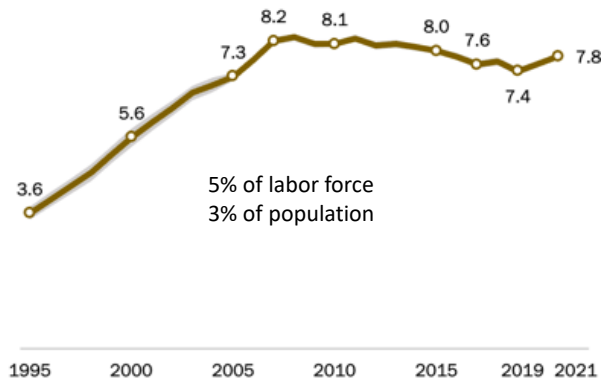
PEW RESEARCH CENTER

12

U.S. Unauthorized Immigration: Labor Force

The number of unauthorized immigrants in the U.S. workforce has remained mostly steady since 2017

Unauthorized immigrants in the U.S. who are working or looking for work in millions



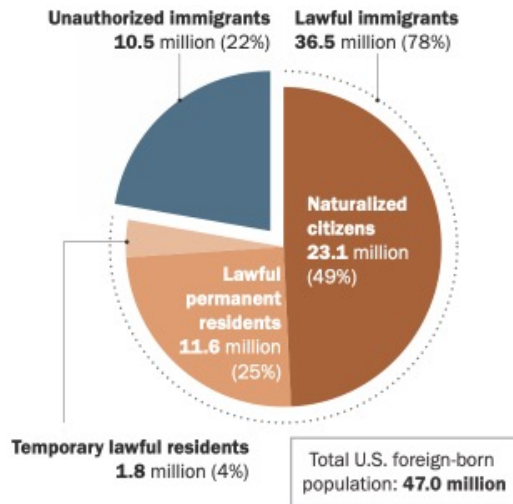
Source: Pew Research Center, What we know about unauthorized immigrants living in the U.S., Nov. 16, 2023

13

13

Unauthorized immigrants were 22% of the U.S. foreign-born population in 2021

Foreign-born population estimates, 2021



Source: Pew Research Center, What we know about unauthorized immigrants living in the U.S., Nov. 16, 2023

14

14

Why Do We Care? Economic Implications

- **Gross Domestic Product (GDP)**
- **Labor markets: Wages and Jobs**
- **Innovation, Entrepreneurship, and Inequality**
- **Government Revenue and Spending**
- **Exports, Imports, and Foreign Direct Investment (FDI)**
- **Crime**



15

GDP: How Does This Work?

- **What determines the size of an economy?**
 - Physical capital
 - Technology/productivity
 - 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 (US Census Bureau, 2019).
- **Evidence**
 - Immigrants added 11% to GDP (\$2 trillion) in 2016.



16

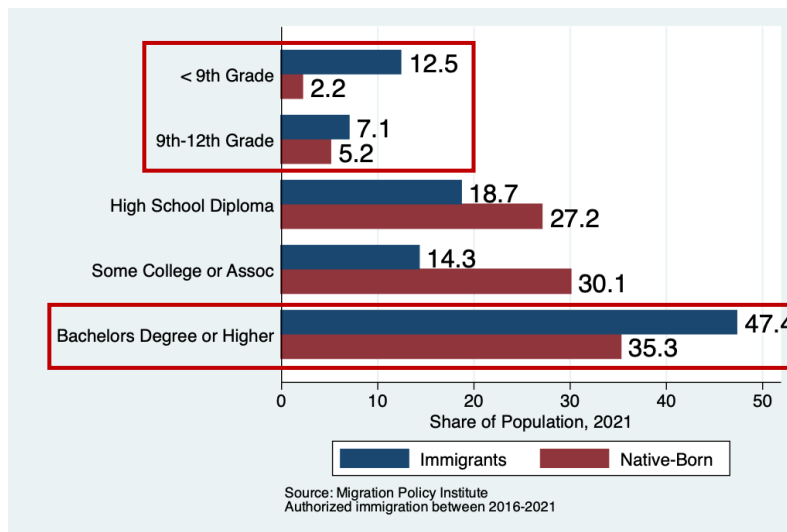
Labor Market Implications: Complicated

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

- **Brings capital market implications**
 - Low-skilled immigrants – capital supplementing
 - Highly skilled immigrants – capital complementing

17

Recent Immigrants Are Less and More Educated



18

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.



19

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.



20

Skilled Immigrants and Innovation

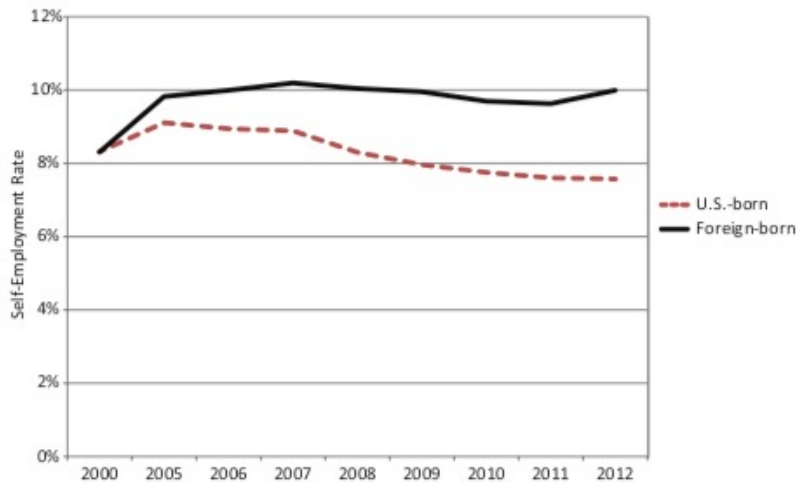
- **1% increase in the share of the immigrant college graduate population**
 - 9-18% increase in patenting per capita
 - Increased immigration increases patenting by native-born population
 - Nonetheless, the effect is positive
- **In the 1990s**
 - Increased skilled immigration can account for one-third 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.



21

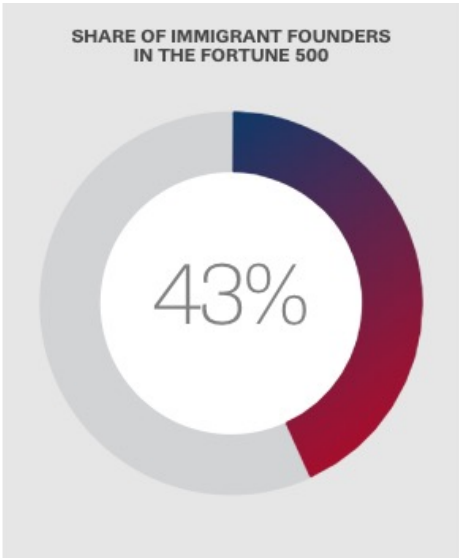
Immigrants and Entrepreneurship

Self-Employment Rates by Nativity



22

Fortune 500: First- and Second-Generation Founders



SHARE OF IMMIGRANT FOUNDERS
IN THE FORTUNE 500

43%

NATIONAL ECONOMIC
EDUCATION DELEGATION

23

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 in the top left, and the logo and page number are at the bottom left and right respectively. A decorative pattern of blue dots is in the top right corner.

23

Government Revenues and Expenditures

NATIONAL ECONOMIC
EDUCATION DELEGATION

24

The slide features the title 'Government Revenues and Expenditures' in a large, bold, blue font. The logo and page number are at the bottom left and right respectively. A decorative pattern of blue dots is in the top right corner.

24

Why Is This Important?

- **Important for understanding whether immigrants will be net contributors to the economy.**
- **Two additional reasons:**
 - Taxpayer inequity geographically
 - Necessary to understand the full consequences of admitting additional immigrants into the country



25

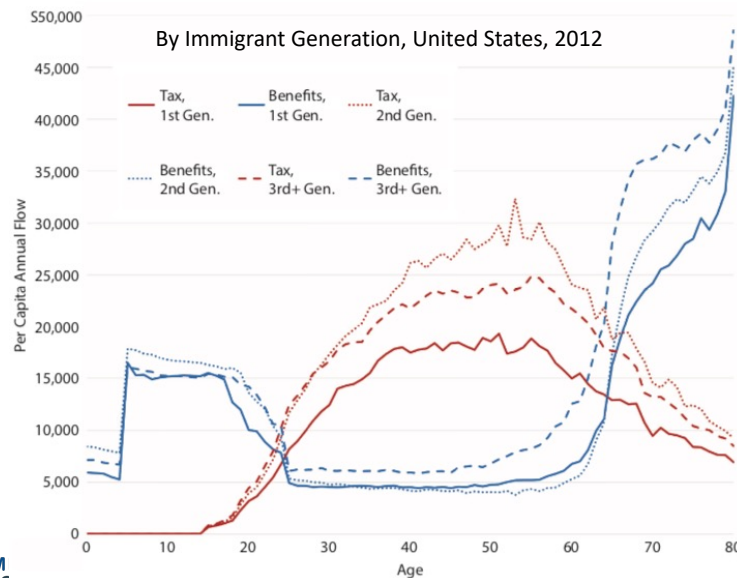
Topics?

- **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 native-born residents.
 - Indirectly through labor and capital markets.
 - Changes in wages and the return to capital.



26

Age-Specific Taxes and Benefits



27

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
 - o Though this value gradually declines with age at arrival.
 - o 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

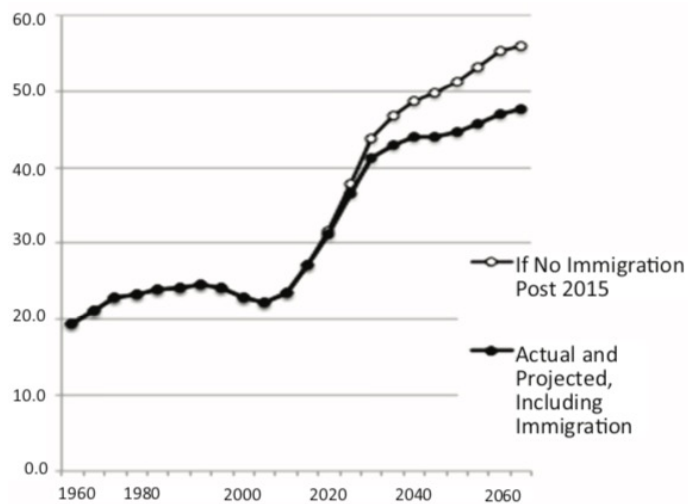
28

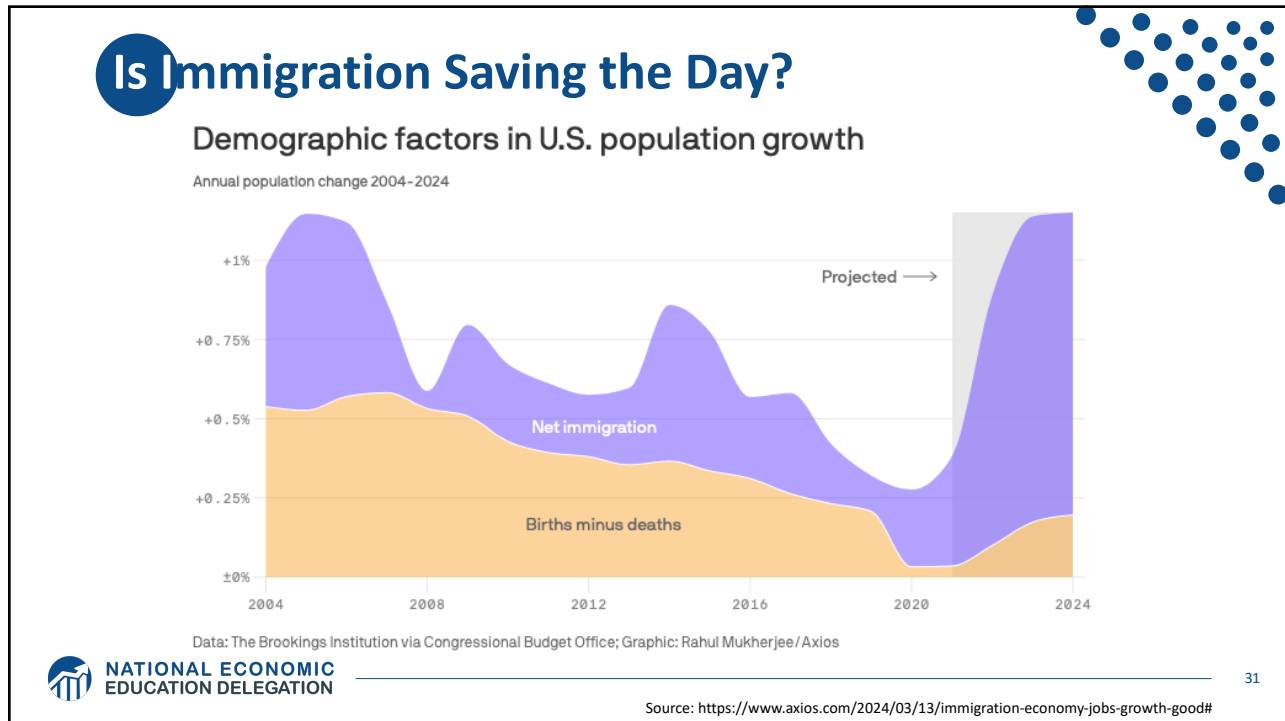
Bottom Line/Consensus of Estimates

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

Implications for Social Security

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





31

Non - Economic Implications

Patterns of Integration

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

The Big Misconception: Crime

NATIONAL ECONOMIC EDUCATION DELEGATION

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

32

Immigrants and Crime Rates

- **Conventional wisdom:**

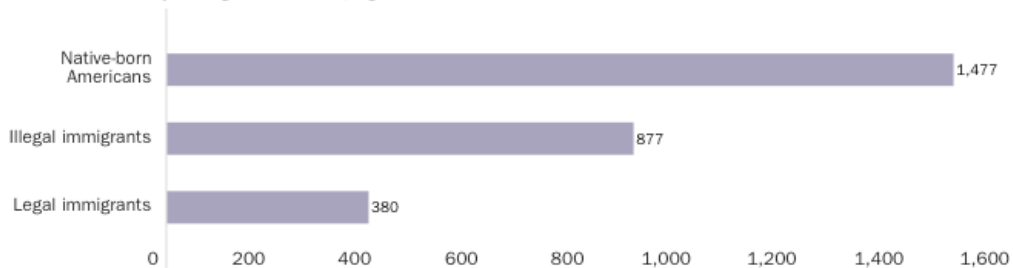
- Immigrants commit crimes more frequently than do native-born residents.
- Rising immigration leads to rising crime.

Let's Have a Look!

33

Incarceration by Immigration Status, 2018

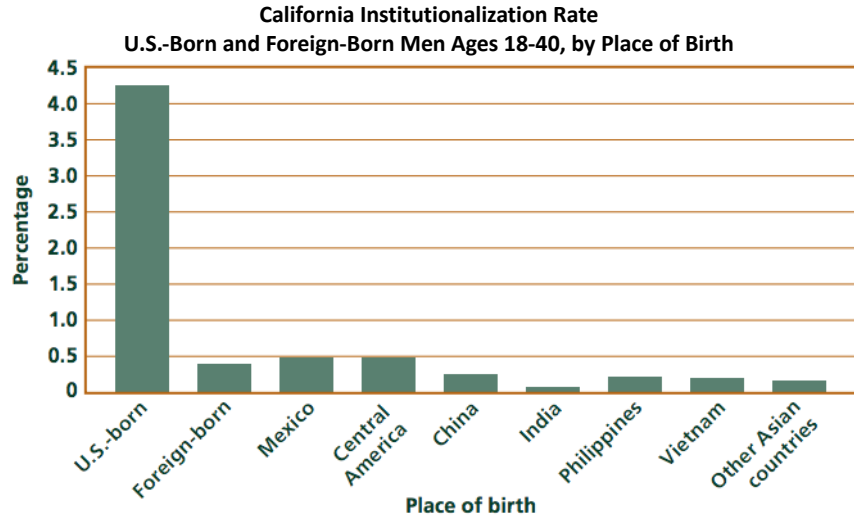
Incarceration rates by immigration status, ages 18–54



Source: Authors' analysis of the American Community Survey data.
Note: Rates are per 100,000 residents in each subpopulation.

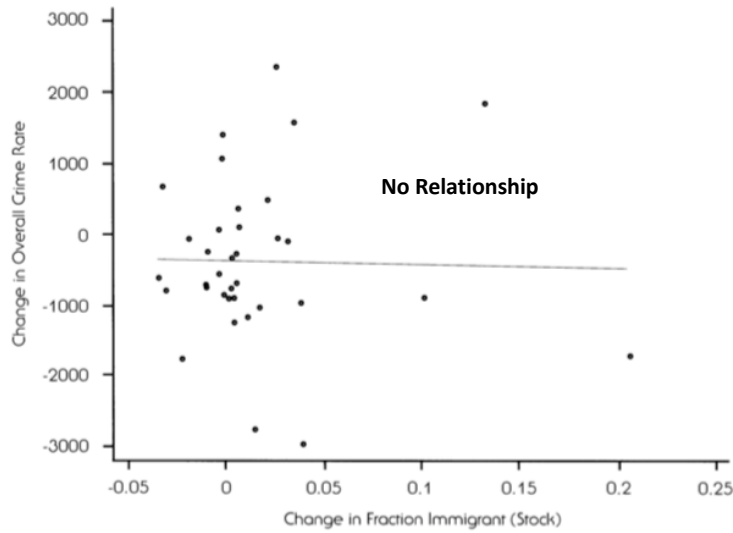
34

Crime: Incarceration Rates in California



35

MSAs: Growing Immigration and Crime



36

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.



37

Summary

- **Immigration can 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.



38

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 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 who wins and loses depend on the skill mix of immigrants;
 - o 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.





Thank you!

Any Questions?

www.NEEDEcon.org
 Jon D. Haveman, Ph.D.
 Jon@NEEDEcon.org

Contact NEED: info@needecon.org

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


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



NATIONAL ECONOMIC
EDUCATION DELEGATION

41


41



History of US Immigration

Source Countries	Pre-1790	Source Countries	1790-1820
African countries*	300,000	African countries*	85,000
England	300,000	Scotland-Ireland	50,000
Scotland-Ireland	100,000	England	45,000
Germany	100,000	France	40,000
Scotland	75,000	Germany	25,000

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



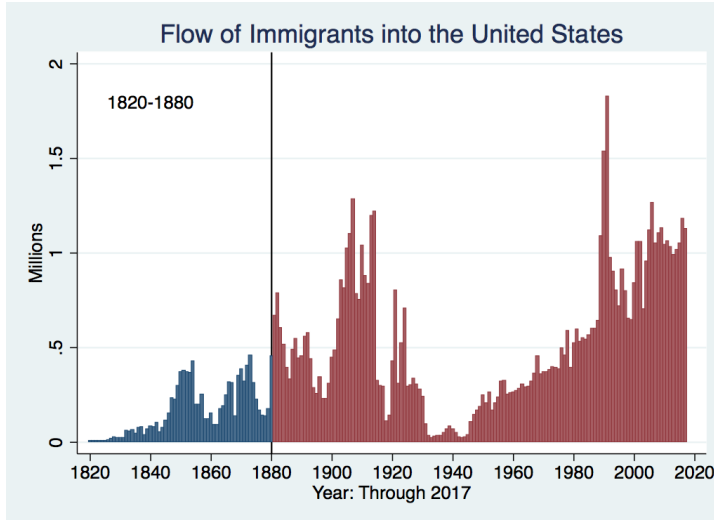
NATIONAL ECONOMIC
EDUCATION DELEGATION

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

42

42

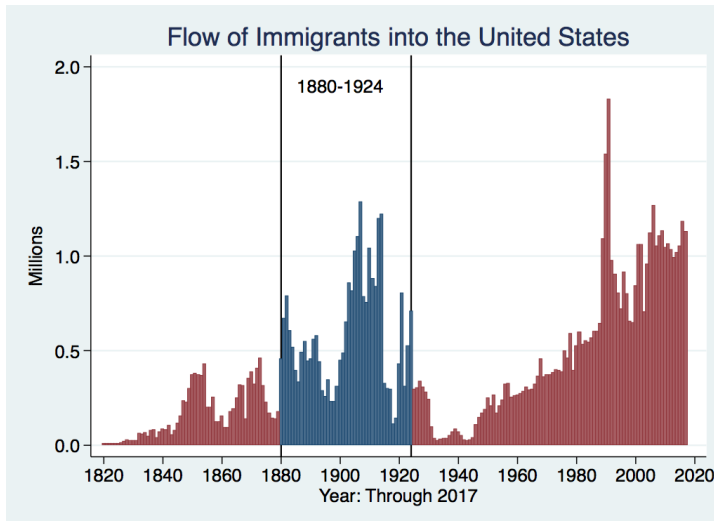
History of US Immigration



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

43

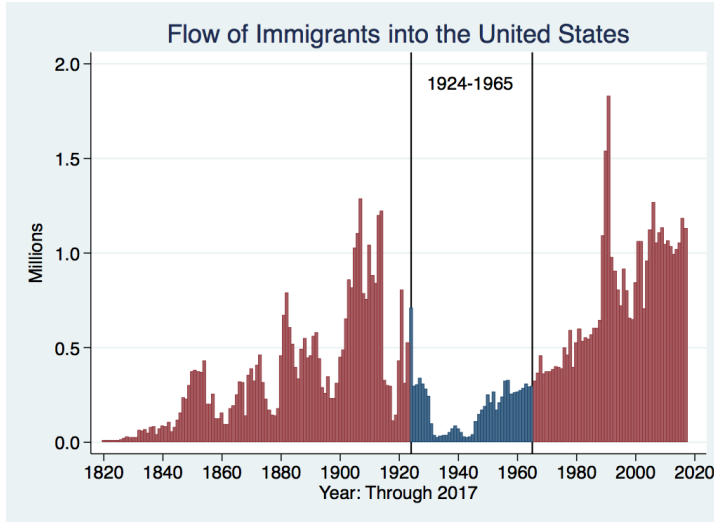
History of US Immigration



Source Countries	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

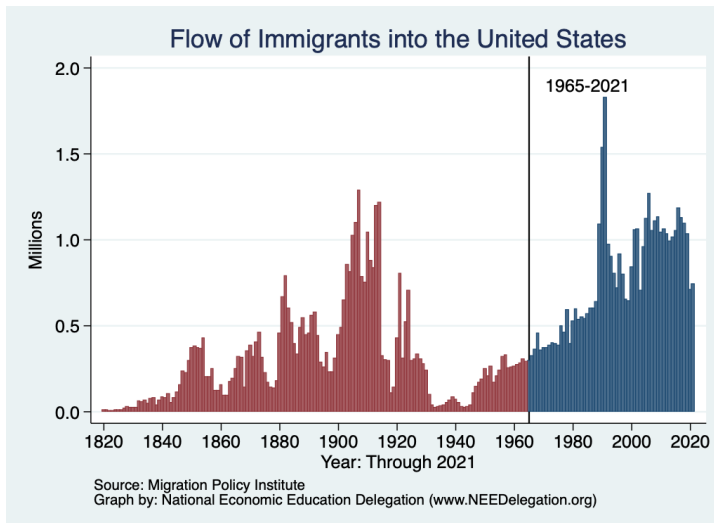
44

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

History of US Immigration: 1965-2017



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

Source: Migration Policy Institute
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

History of US Immigration: 2011-2020

Sources (top 10)	2011-2020
Mexico	1,491,000
China	721,000
India	637,000
Philippines	505,000
Dominican Rep.	487,000
Cuba	473,000
Vietnam	334,000
El Salvador	215,000
South Korea	199,000
Jamaica	198,000

Total immigrant inflow, 2011-2020 = 10,125,000

US population growth, 2011-2020 = 22,700,000

Typical year during decade...

- US population increased by 2.27 million (0.74%)
- Native births contributed approx. 1.35 million (0.44%)
- Immigration contributed approx. 920,000 (0.30%)



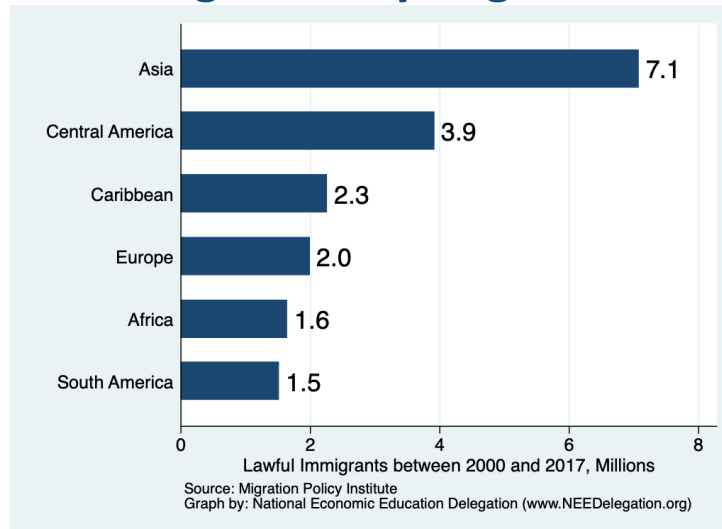
NATIONAL ECONOMIC EDUCATION DELEGATION

Sources: UN Population Division (2010 and 2020 immigrant stocks), US DHS (2010-2020 immigrant inflows), US Census (population values).

47

47

Authorized Immigration by Region



NATIONAL ECONOMIC EDUCATION DELEGATION

48

48

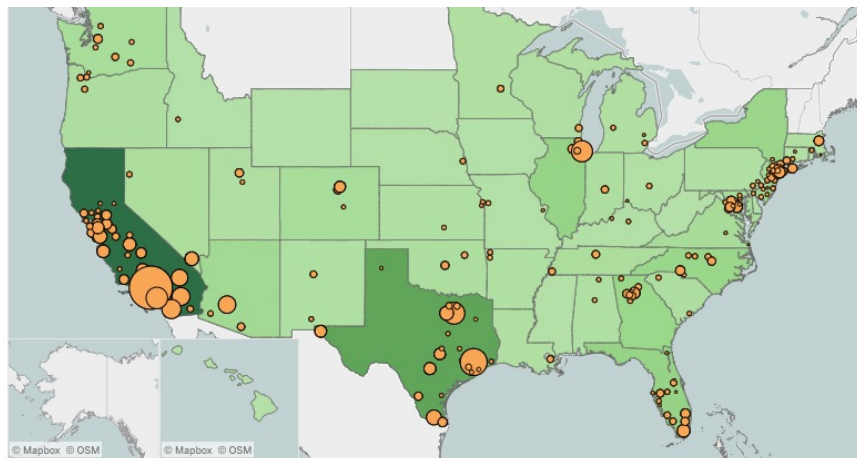
Total and Average Annual Immigrant Arrivals, 1820-2015

Area/Region	1820-1874	1875-1920	1921-1967	1968-2015	1820-2015
All countries	8,876,433	24,745,460	10,321,482	36,732,378	80,675,753
Africa	0.0%	0.1%	0.4%	5.0%	2.4%
Asia	1.8%	2.6%	4.9%	31.2%	15.8%
Central Asia	.	.	.	0.4%	0.2%
Eastern Asia	1.7%	1.8%	2.1%	9.8%	5.5%
Southeastern Asia	.	.	0.5%	12.7%	5.9%
Southern Asia	0.0%	0.0%	0.1%	7.7%	3.5%
Western Asia	0.0%	0.8%	0.2%	0.4%	0.4%
Europe	90.1%	88.1%	53.8%	11.9%	49.2%
Central Europe	0.4%	16.3%	4.1%	0.1%	5.6%
Eastern Europe	0.3%	15.0%	5.1%	4.4%	7.3%
Northern Europe	57.0%	26.2%	19.1%	2.7%	18.0%
Southern Europe	1.0%	19.6%	12.2%	3.1%	9.1%
Western Europe	31.5%	10.9%	13.4%	1.7%	9.3%
Latin America and the Caribbean	1.0%	2.7%	21.9%	44.4%	24.0%
Caribbean	0.6%	1.2%	4.7%	12.7%	6.8%
Central America	0.2%	1.1%	11.2%	24.5%	12.9%
South America	.	.	.	7.0%	3.2%
Middle East	.	.	.	5.0%	2.3%
Northern America	4.8%	6.2%	18.4%	1.9%	5.7%
Oceania	0.0%	0.2%	0.5%	0.5%	0.4%
Australia and New Zealand	0.0%	0.2%	0.5%	0.3%	0.3%
Melanesia	.	.	.	0.1%	0.1%
Micronesia	.	.	.	0.0%	0.0%
Polynesia	.	.	.	0.1%	0.0%
Pacific Islands, other	0.0%	0.0%	0.1%	0.0%	0.0%



Sources: US Statistical Abstract (various years), US INS (various years), and US DHS (various years)

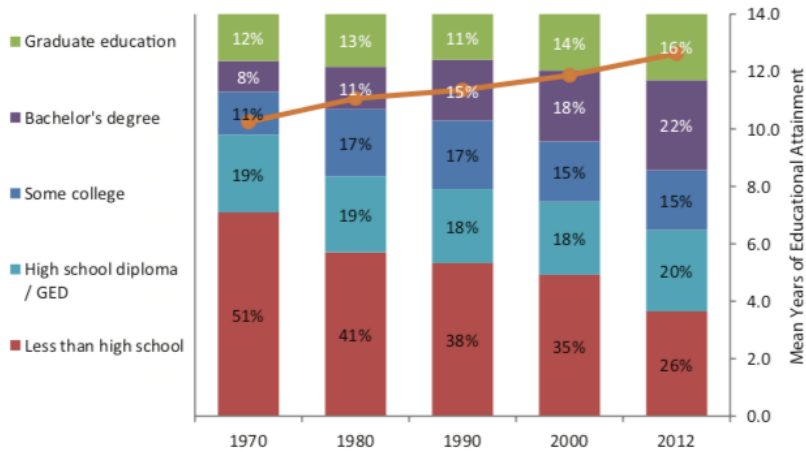
Unauthorized Immigration: 2012-2016



<https://www.migrationpolicy.org/programs/data-hub/charts/unauthorized-immigrant-populations-country-and-region-top-state-and-county>

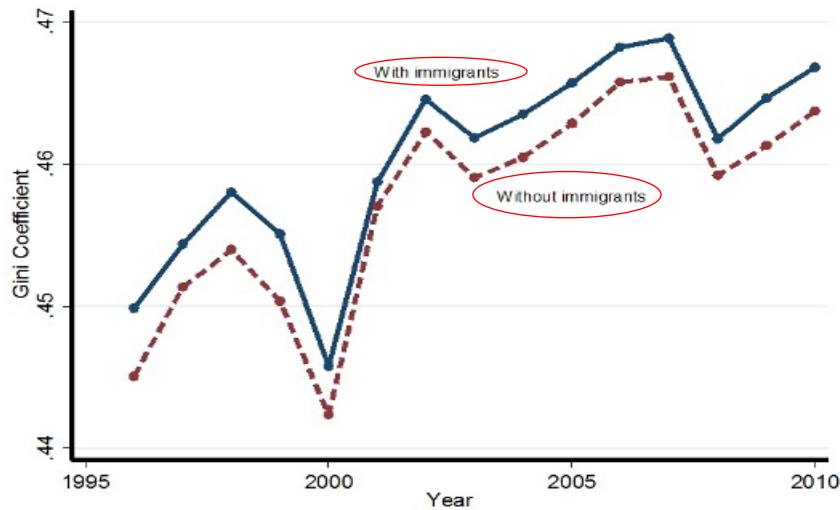
Pattern of Immigration

Educational Attainment of Recent Immigrants – Last 5 Decades



51

Immigration and Inequality



52

Immigration and Inequality: Summary

- **Beginning in about 1970, the immigrant share of the US population increased dramatically.**
 - 5% in 1970 and 14% in 2016
- **Compared to the native born, immigrants:**
 - Comprise a larger share of less-educated workers (less than HS diploma)
 - Comprise a larger share of highly educated workers (advanced degree)
- **Immigration has likely increased income inequality.**
- **Its effect has likely been small.**
 - ~5% between 1980 and 2000
 - No reason to think it has been bigger since then



53

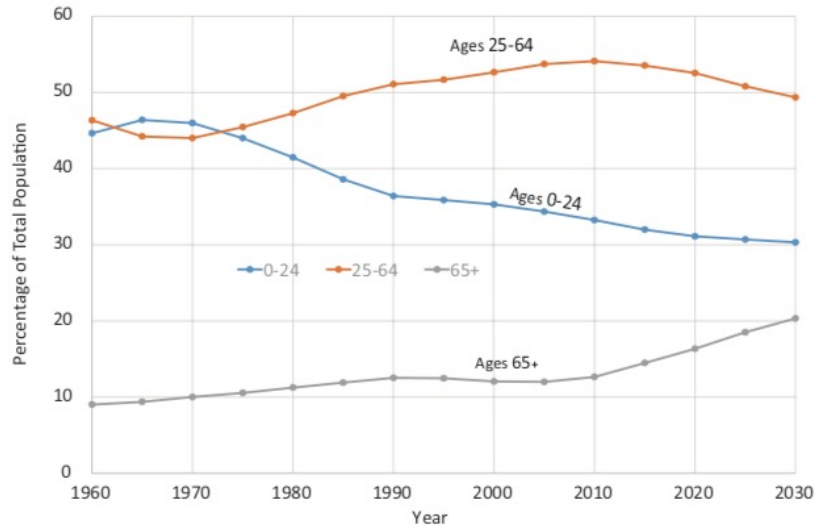
Implications for Major Federal Programs

- **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.**



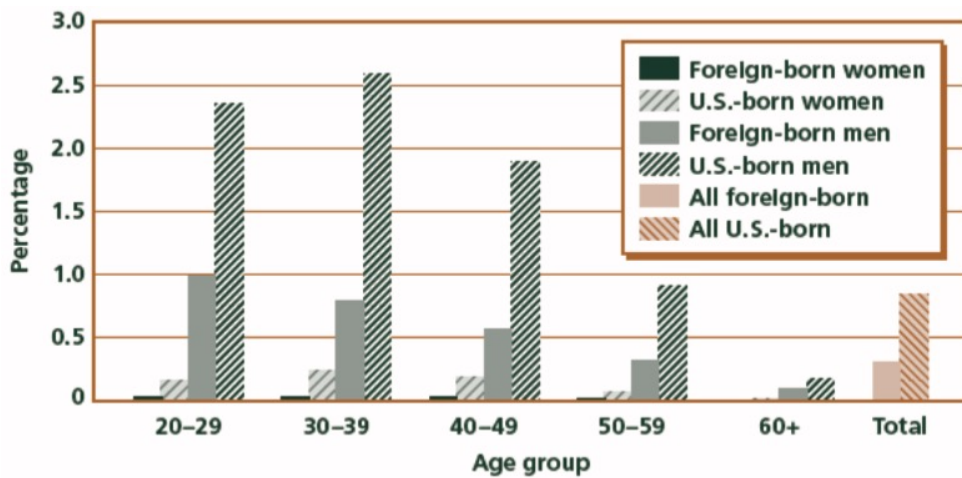
54

The Aging US Population



55

Crime: Incarceration Rates in California



56