



The Economics of Immigration

San Rafael Public Library
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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.

Who Are We?

- **Honorary Board: 45 members**

- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs 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: 367 members**

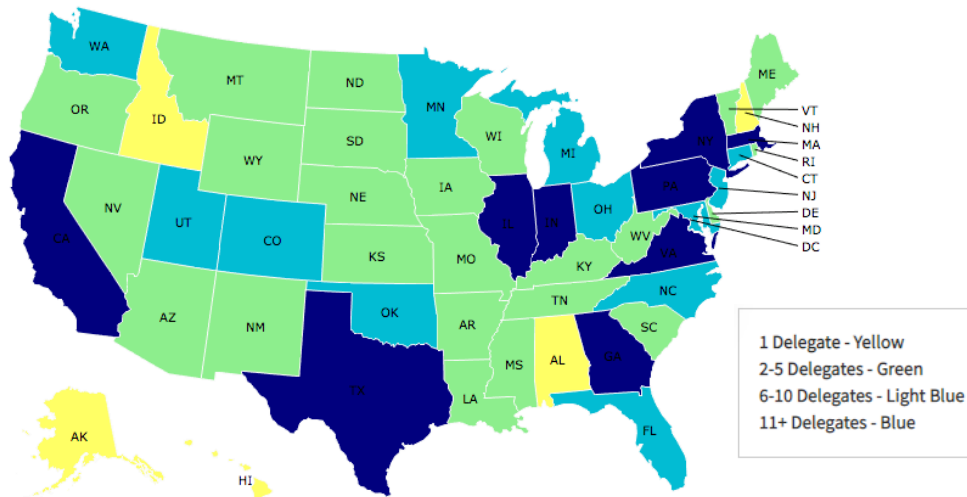
- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 42 Ph.D. Economists**

- Aid in slide deck development



Where Are We?



Outline

- Why do people migrate?
- History of immigration into the U.S.
- Economics of immigration
- Other implications of immigration



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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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Source: Gilder Lehrman Institute of American History

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Why do People Migrate?

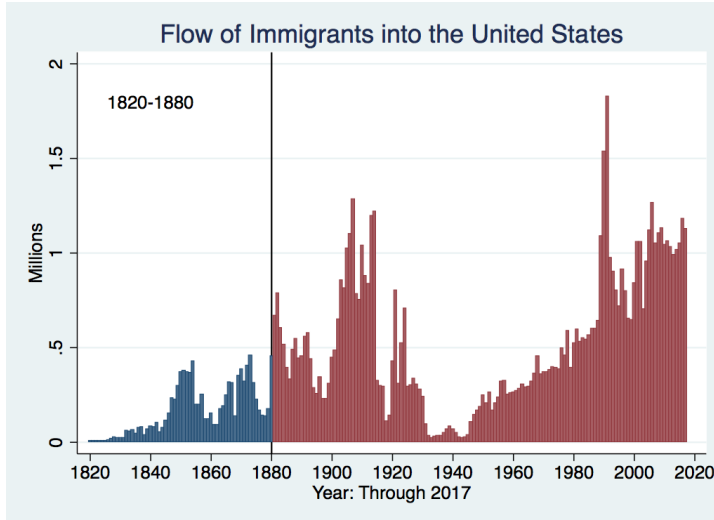
Levels of Decision-Making

- **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

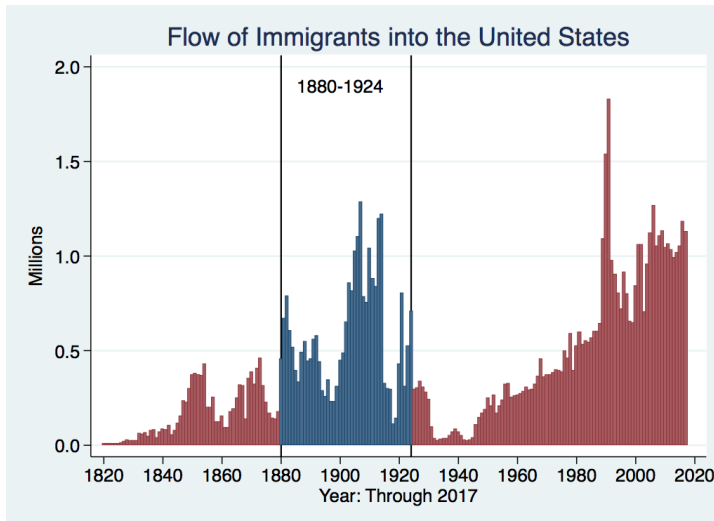
Source Country	Pre-1790	Source Country	1790-1820
African	300,000	African	85,000
English	300,000	Scotch-Irish	50,000
Scotch-Irish	100,000	English	45,000
German	100,000	French	40,000
Scottish	75,000	German	25,000

History of U.S. Immigration



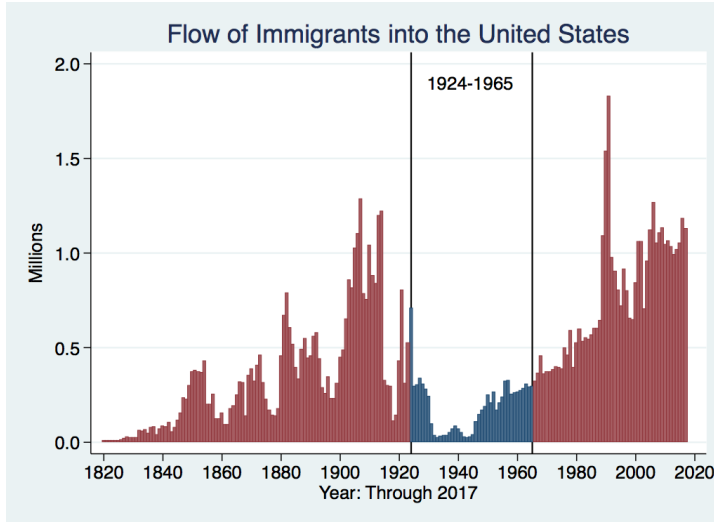
Source Country	1820-1880
Germany	3,000,000
Ireland	2,800,000
Britain	2,000,000
Austro-Hungarian Empire	1,000,000
Canada	750,000
China	230,000
Africa	50,000

History of U.S. Immigration



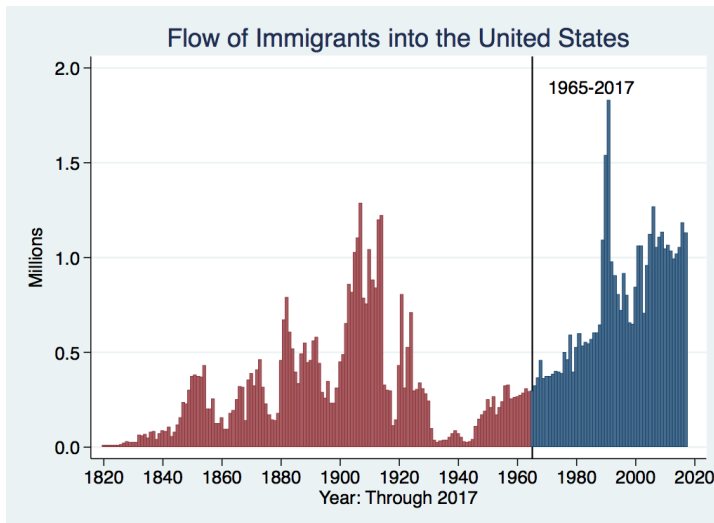
Source Country	1880-1930
Italy	4,600,000
Austro-Hungarian Empire	4,000,000
Russian Empire	3,300,000
German Empire	2,800,000
Britain	2,300,000
Canada	2,300,000
Ireland	1,700,000

History of U.S. Immigration



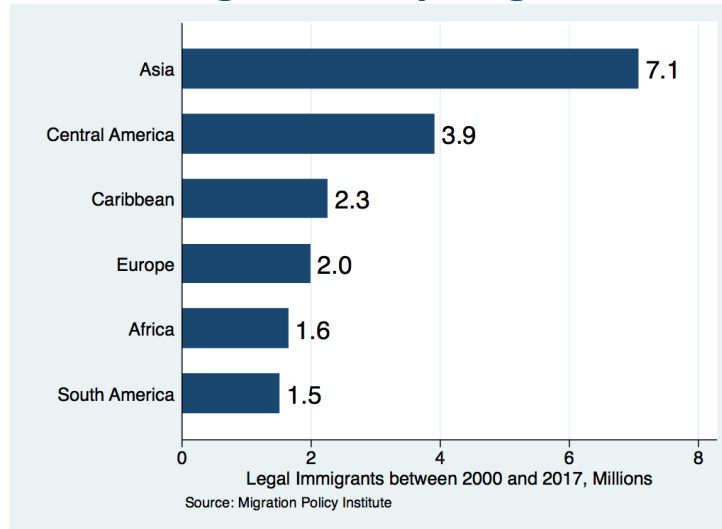
Source Country	1930-1965
Germany	940,000
Canada	900,000
Mexico	610,000
Britain	480,000
Italy	390,000
Caribbean/ West Indies	310,000

History of U.S. Immigration: 1965-Today

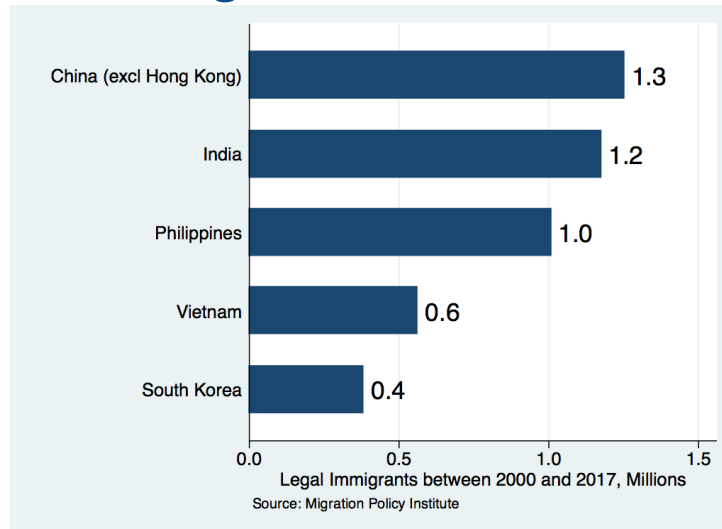


Source Country	1965-2017
Mexico	4,300,000
Philippines	1,400,000
Korea	760,000
Dominican Republic	750,000
India	740,000
Cuba	700,000
Vietnam	700,000
Canada	650,000

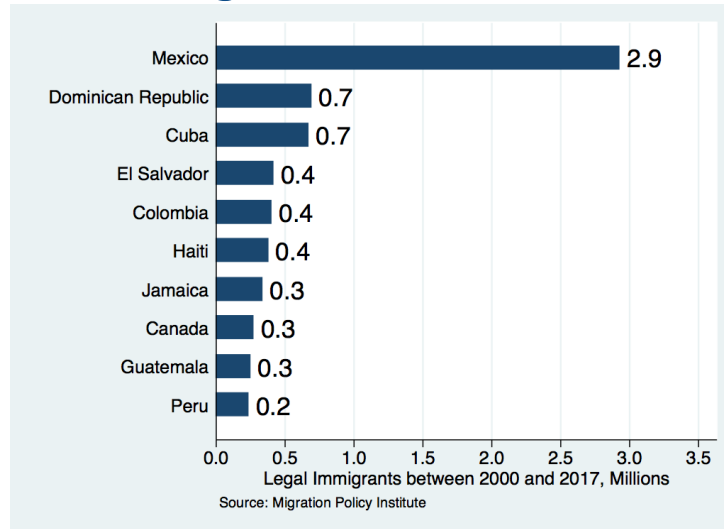
Authorized Immigration by Region



Authorized Immigration from Asia

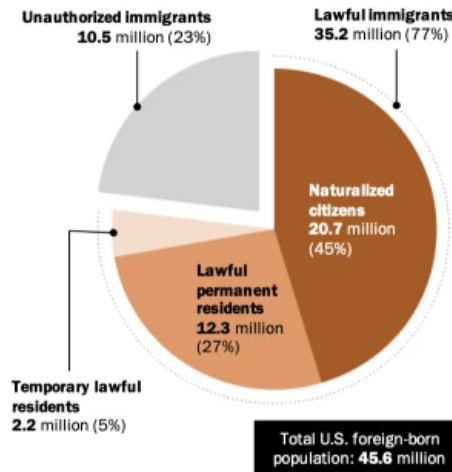


Authorized Immigration from the Americas



Immigrant Population in 2017

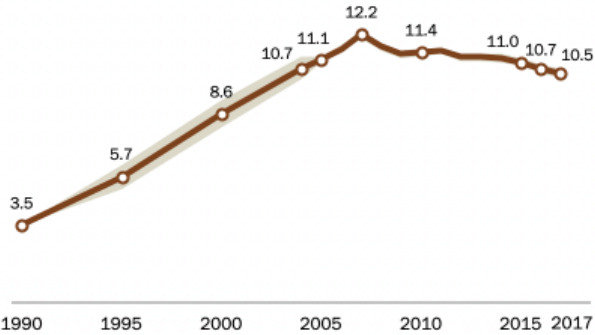
Foreign-born population estimates, 2017



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



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

Unauthorized Population: Source Countries

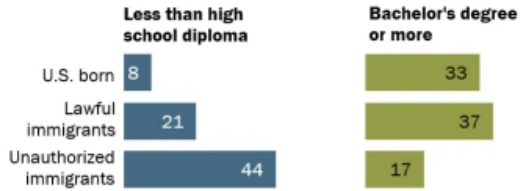
In thousands

	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

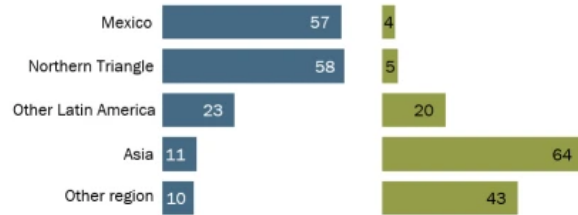


Unauthorized Immigration: Education

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

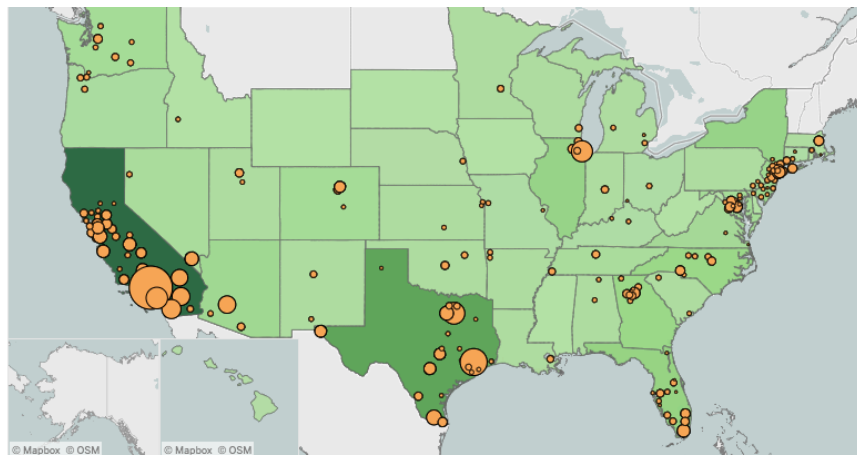


Among unauthorized immigrants from ...

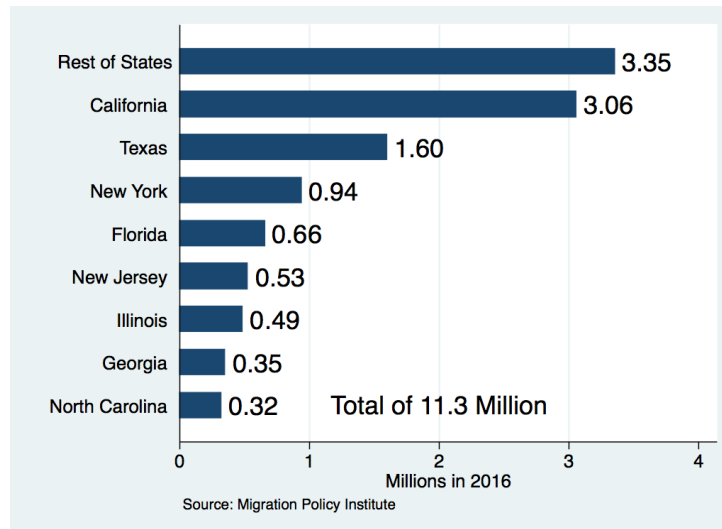


Note: Northern Triangle includes El Salvador, Guatemala and Honduras.

Unauthorized Immigration: 2012-2016



Unauthorized Immigrants: Where They Live



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
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
- Prices



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



Immigration is Similar to Trade

- **Trade**
 - Allows production to be brought to where the low wage workers are.
- **Immigration**
 - Allows workers to move to where high wage jobs are.
- **Both:**
 - Equalize wages across geographies
 - Lower prices
 - Increase overall economic activity



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: *some workers lose*
 - Higher ratio of labor to capital.
 - Wages decline and returns to capital rise.
 - Long run: *there are no losers*
 - 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.
- 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.



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.



Pathway of Wage and Employment Effects

Inflows of Low Skilled Immigrants



Previous Immigrants



Disadvantaged Minorities



Native HS Dropouts



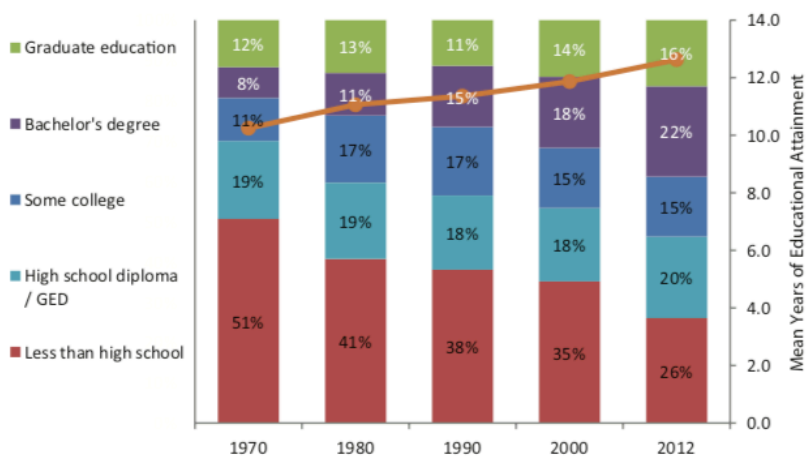
Order of Impact

Impact is negative,
But is smaller
at each step.

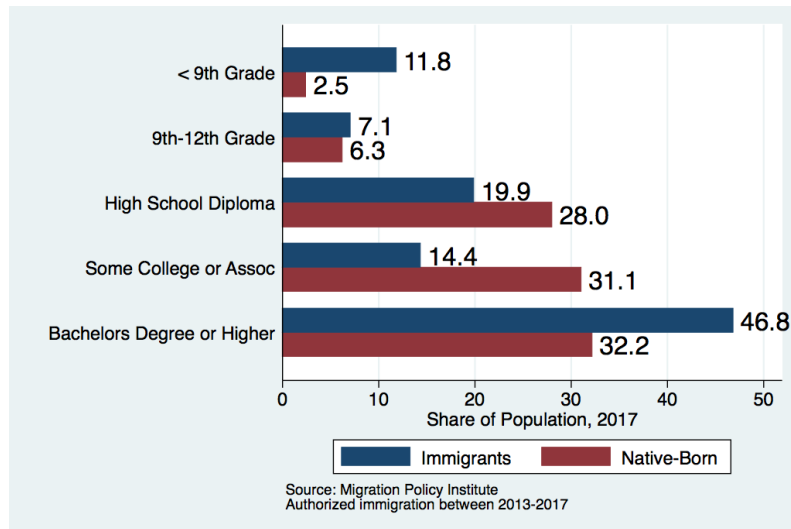
Positive influence on wages and employment of other workers.

Pattern of Immigration

Educational Attainment of Recent Immigrants – Last 5 Years



Recent Immigrants: Less and More Educated

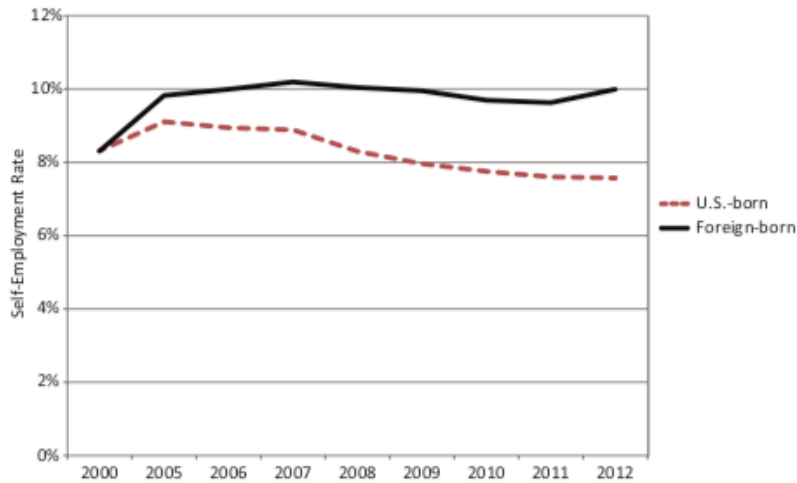


Skilled Immigrants and Innovation

- **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



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Source: Magnus Lofstrom from Current Population Survey Data

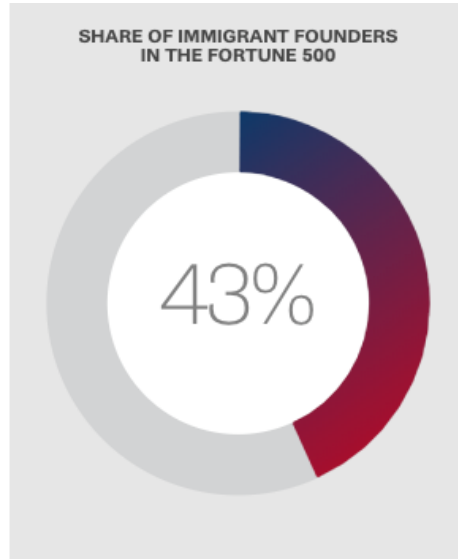
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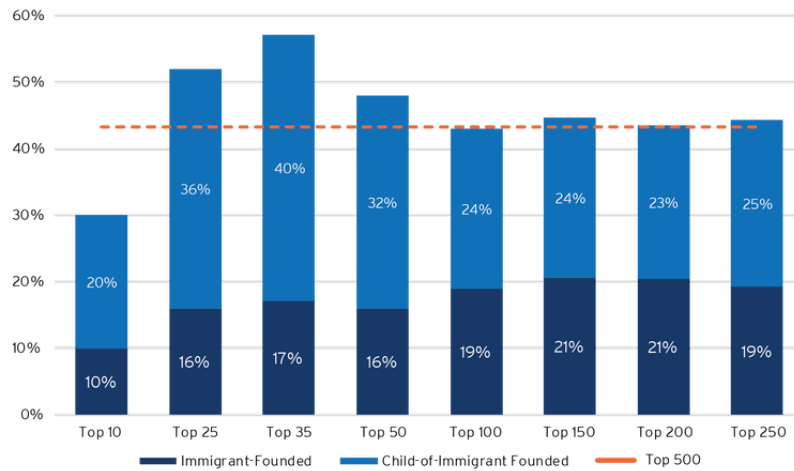
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Fortune 500: 1st and 2nd Generation Founders

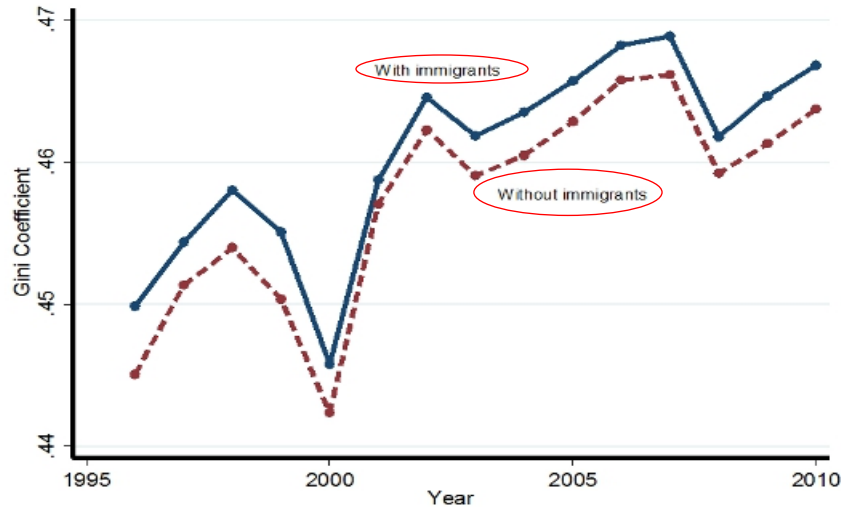


Share of fortune 500 companies founded by Immigrants or the children of immigrants, by ranking group 2017



Source: Center for American Entrepreneurship
Fortune Magazine data

Immigration and Inequality



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Source: Ping Xu, James C. Garand, and Ling Zhu, "How immigration makes income inequality worse in the U.S.," October, 2015, Figure 1.

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Immigration and Prices

• How do immigrants lower prices?

- Demand side

- A higher proportion of immigrants tends to make markets more price sensitive.
- Accordingly, stores are reluctant to raise prices.

- Supply side

- By providing labor services at lower cost.
- Input prices are lowered, so final goods prices are also likely to be lower.
- Primarily in nontraded sectors
 - Household services, construction, hospitality, agriculture.



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Prices: Distributional Consequences

- **A 10% increase in the share of low-skilled immigrants in a city:**
 - Lowers prices of immigrant-intensive sectors by 2%.
 - E.g., housekeeping, gardening, babysitting, dry cleaning
- **Immigration between 1980 and 2000 affected the cost of living:**
 - -0.32% for high-skilled workers
- **...but not for everybody:**
 - +1% for native high school dropouts
 - +4.2% for Hispanic low-skilled natives
- **Conclusion:**
 - Positive net benefits for the nation as a whole.
 - But not all benefit.



Prices and Economic Expansion

- **Economic Expansion**
 - Increase the labor supply.
 - Lowers the prices of immigration-intensive products.
 - Frees up high skilled labor to provide more market services.
 - Primarily through provision of household services.
 - Evidence of an expansion of labor provided by **high-skilled women**.
 - Particularly where long hours are required: law, medicine, and women with PhDs



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?

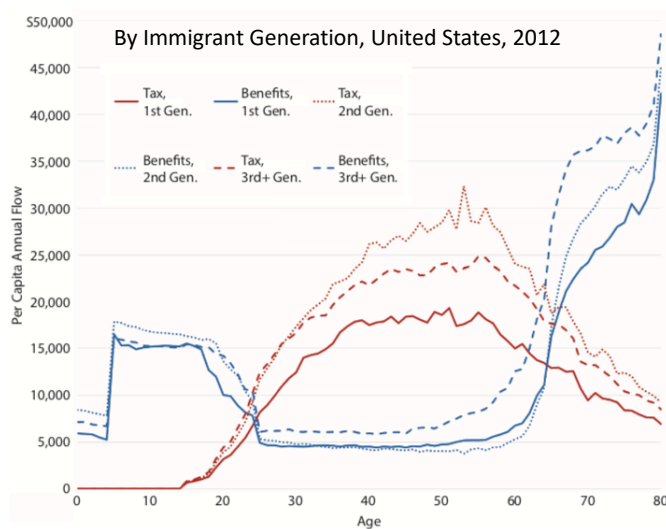
- **Basic Question:**

- 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

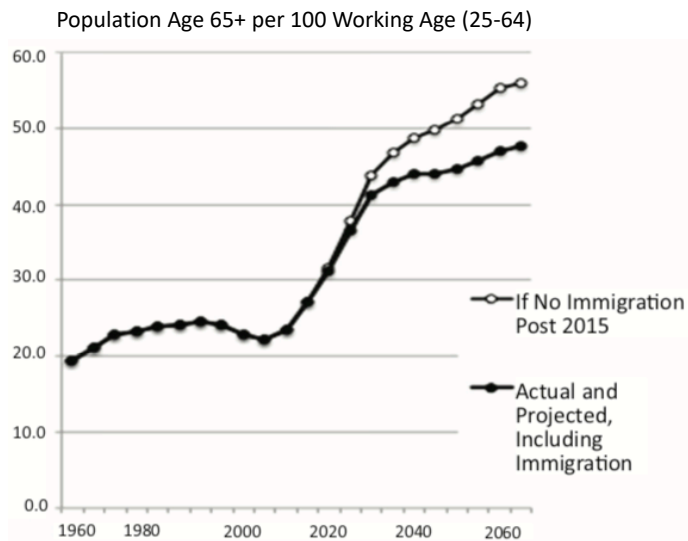
- **Federal level: fiscal impact is generally positive.**
- **State and local level: typically negative fiscal impact.**



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.**

Implications for Social Security



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

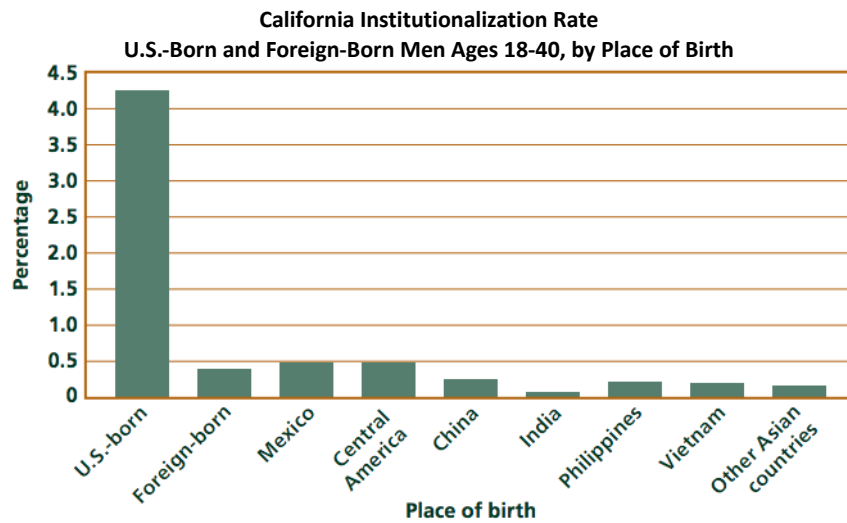
- **Conventional wisdom:**

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

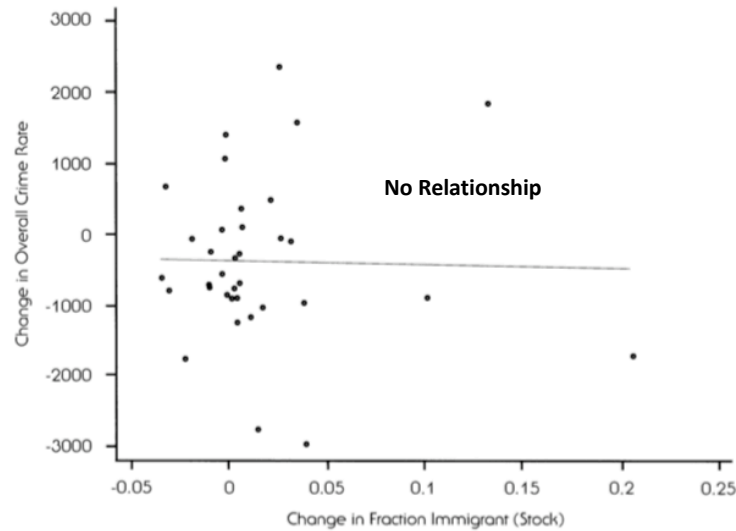
Let's Have A Look!



Crime: Incarceration Rates in California



MSAs: Growing Immigration and Crime



Immigrants and Crime Rates

- **Conventional wisdom:**

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

- **What does the data say?**

- Rates of incarceration are lower for foreign-born than U.S.-born.
- Neighborhoods with more immigrants have lower crime rates.



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.
- **Crime**
 - Immigrants, both authorized and unauthorized commit crimes at much lower rates than do native-born individuals.
- **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.NEEDelegation.org

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