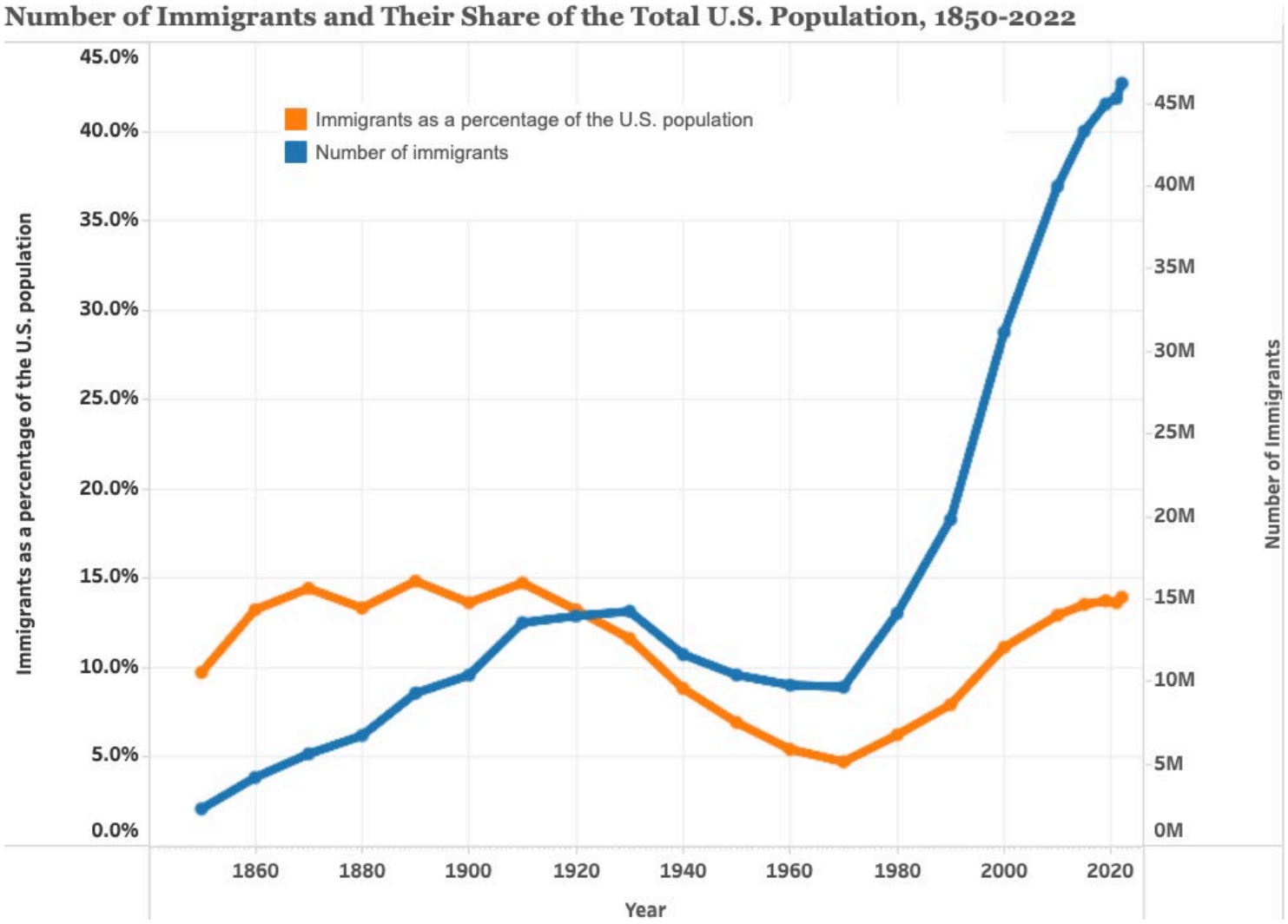
Immigration Economics and Immigration Policy

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2. Foreign-born population



Source: https://www.migrationpolicy.org/programs/data-hub/charts/immigrant-population-over-time

3. DHS estimates of undocumented immigration

- **Jan. 2000**: 8.5 million.
- **Jan. 2005**: 10.5 million.
- **Jan. 2007**: 11.8 million.
- **Jan. 2008:** 11.6 million.
- **Jan. 2010:** 10.8 million
- **Jan. 2018:** 11.4 million.

The estimate has not been updated since 2018.

Source: https://www.dhs.gov/sites/default/files/publications/immigration-statistics/Pop_Estimate/UnauthImmigrant/unauthorized_immigrant_population_estimates_2015_-_2018.pdf

4. Estimating size of undocumented population

- **Residual Method**. We know how many "green cards" have been given out. We can calculate expected size of legal immigrant population by using mortality rates and age at migration, and accounting for out-migration.
- We have enumerations of number of foreign-born in country (Census, ACS, CPS).
- Adjust the number of foreign-born for persons in US with student visas, business visas, H-1Bs, etc.
- Difference between the adjusted number enumerated and the expected number of legal immigrants is the DHS estimate of the number of undocumented immigrants.

5. Key assumption in calculation

e. Undercount of unauthorized immigrants in the ACS (0.5 million)

This report assumes that the undercount rate for unauthorized immigrants in the ACS is 13 percent for those who arrived in the most recent year and declines by 7.5 percent with each year of presence.[12] This assumption is based on the model that was used for the 2000 edition of the report but represents a change from the 2005-2015 editions. In those reports, DHS assumed a flat 10 percent undercount rate (based on the overall

6. The "economistic" perspective

- Immigration is like trade.
- Importing a widget is equivalent to importing a few skilled workers to do the design, and a few more low-skill workers to do the manufacturing. Immigration simply allows the production to be done domestically.
- All the costs and benefits come from the immigrants' time on the assembly line.
- Immigrants have no other effects on the receiving country's political, social, cultural, and economic infrastructure.
- We've all been taught: "Trade is good." Therefore, immigration is good.

7. A more realistic perspective

- Max Frisch on guest workers entering Europe in the 1950s and 1960s:
- **"We wanted workers, but we got people instead."**
- Calculating the impact of immigration requires taking into account that immigrants act in particular ways because some actions are more beneficial than others.
- Those decisions have repercussions and unintended consequences that can magnify or shrink the beneficial impact of immigration that comes from their contribution to widget production.

8. Those choices include…

- People choose to migrate.
- Immigrants choose whether or not to assimilate.
- Immigrants wear ethnic labels, and ethnicity can have a long-term social and cultural impact.
- Immigrants have lives outside the factory gates, and there's an important interaction between immigration and the welfare state.

9. Degrees of freedom in social science research

- Paul Collier in *Exodus: How Migration is Changing our World:*
  - "A rabid collection of xenophobes and racists…lose no opportunity to argue that migration is bad for indigenous populations. Understandably, this has triggered a reaction: desperate not to give succor to these groups, **social scientists have strained every muscle to show that migration is good for everyone.**"
- And how do social scientists do this? By:
  1. Ignoring distinction between workers and people.
  2. Making assumptions.
  3. Overlooking inconvenient facts.

10. And those degrees of freedom produce "The Narrative"

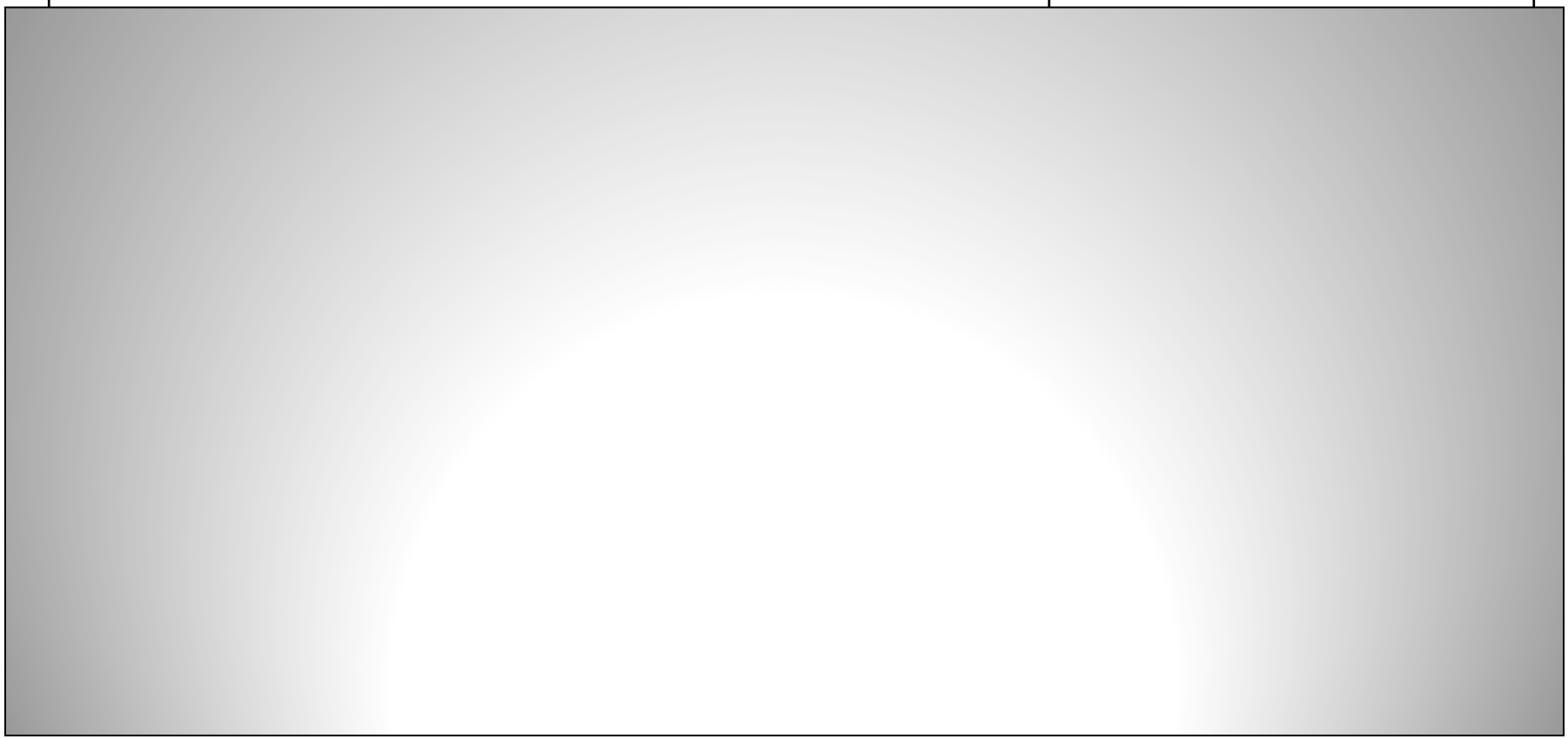
- "Open borders will solve the world's poverty problem once and for all."
- "Immigrants have a small impact on the labor market opportunities of native workers."
- "Immigrants create huge benefits for the nation's economy."
- "The fiscal impact of immigration, obtained by comparing the taxes they pay with the services they receive, is trivial. And may even be beneficial."

11. Hamilton-Whalley, *Journal of Development Economics*, 1984

- Abstract: In this paper a procedure for calculating the annual efficiency gains from various alternative changes in existing global immigration restrictions is presented... When these are removed, labour reallocates and efficiency gains occur…**A striking feature is the size of the annual worldwide gains. In some cases, annual gains can easily exceed existing worldwide GNP.**

12. Imagine there's no countries…

The impact of open borders, 2013	
Increase in world GDP	$40.1 trillion



13. Imagine there's no countries… (and no externalities)

The impact of open borders, 2013	
Increase in world GDP	$40.1 trillion
Number of movers	5.6 billion
Wage change in the North	−39.3 percent
Wage change in the South	+143.0 percent
Increase in world GDP after accounting for migration costs	$28.1 trillion

Source: George J. Borjas, "Globalization and Immigration: A Review Essay," Journal of Economic Literature 53 (2016), 965.

14. The laws of supply and demand

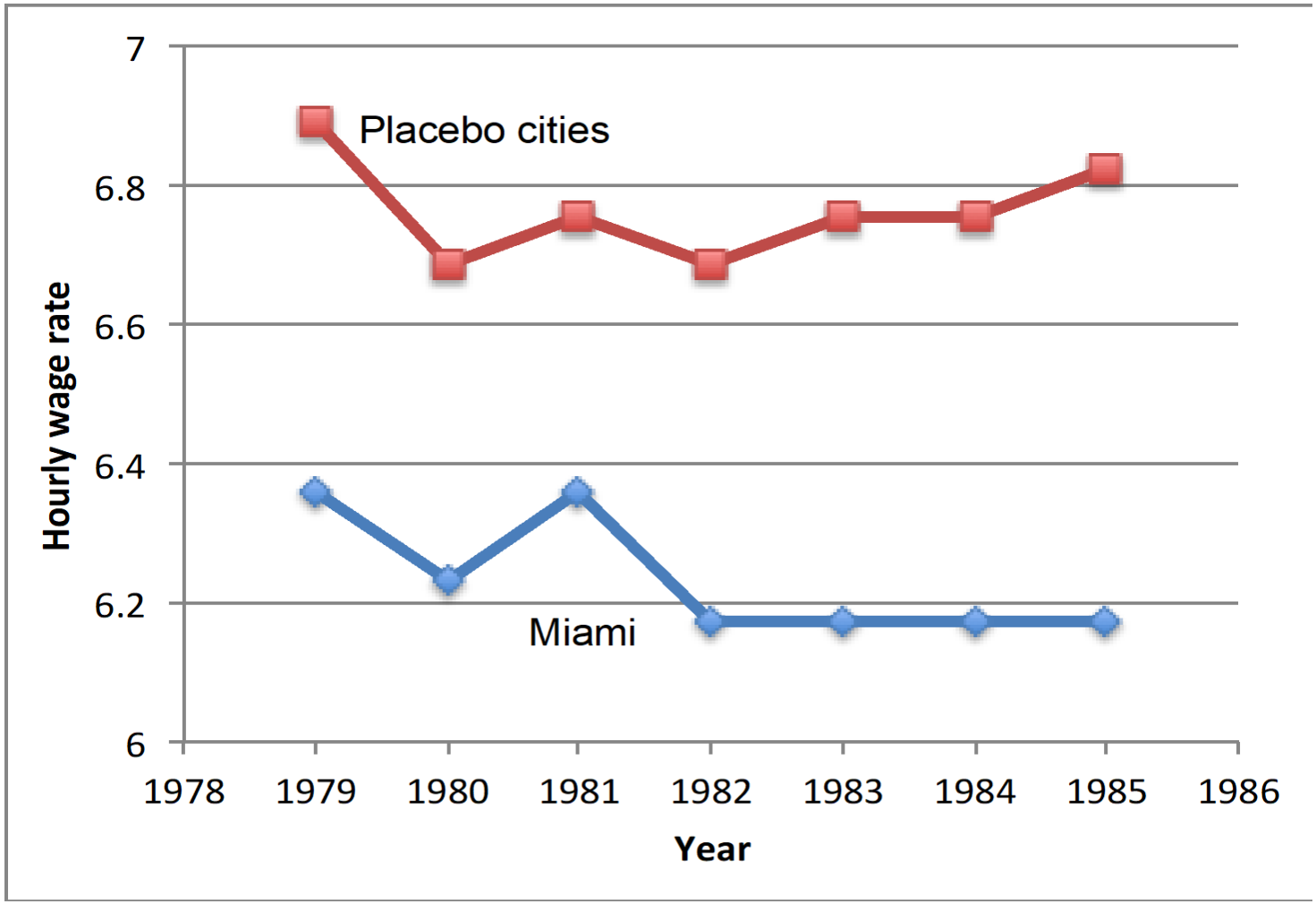
- The supply of oil goes up; the price of gas goes down.
- Paul Samuelson (1964): "After World War I, laws were passed severely limiting immigration. Only a trickle of immigrants has been admitted since then . . . By keeping labor supply down, immigration policy tends to keep wages high."
- This inference from the laws of supply and demand is highly disputed in the immigration context.

15. Supply and demand: A natural experiment on Labor Day weekend, September 2006

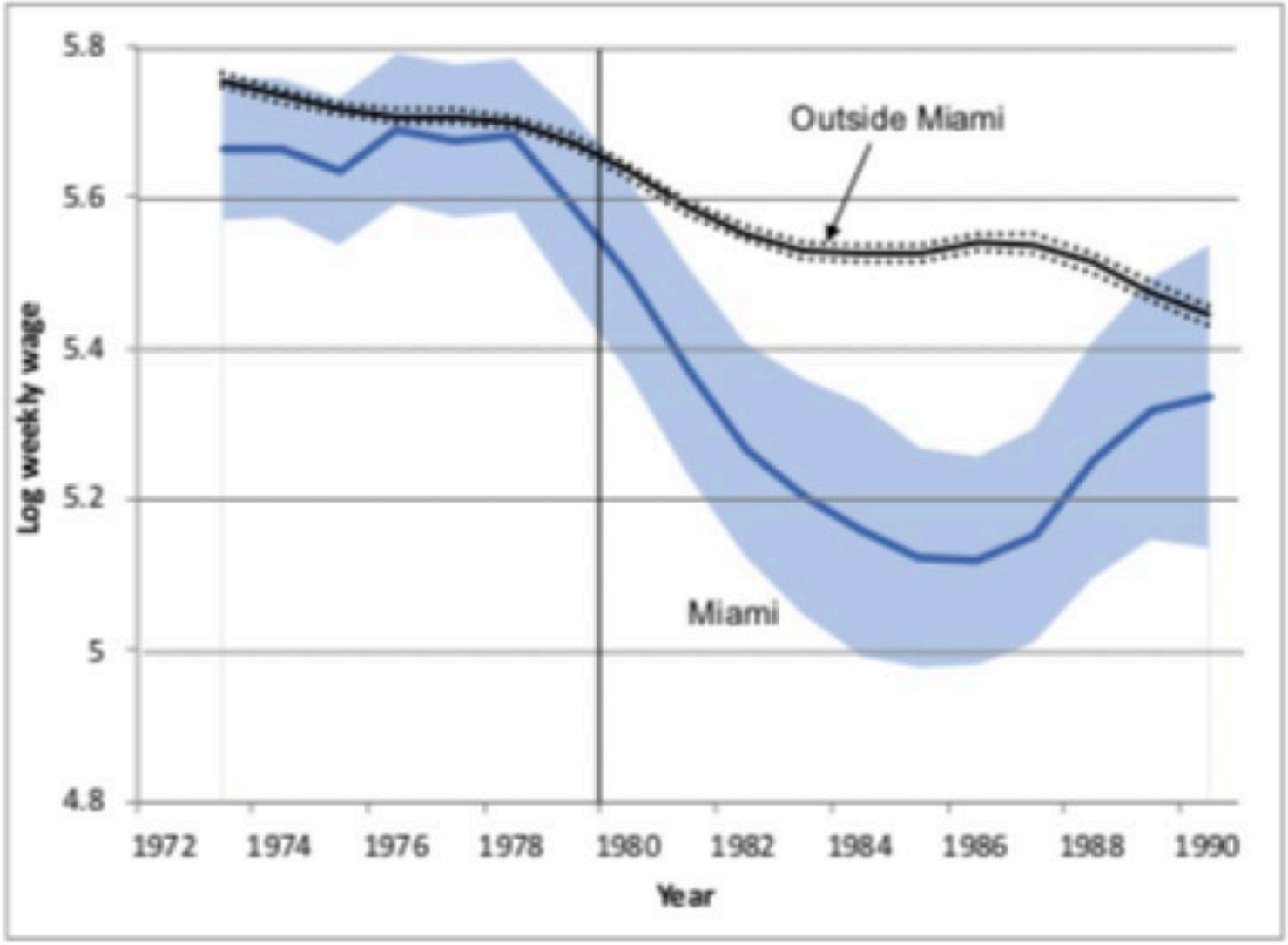
- Immigration agents raid Crider, a chicken-processing plant in Stillmoore, GA.
- Crider suddenly loses 75% of its 900 workers.
- Samuel Johnson: ”When a man knows he is to be hanged in a fortnight, it concentrates his mind wonderfully.”



16. Hourly wage rate of white workers in Miami (Card, 1990)

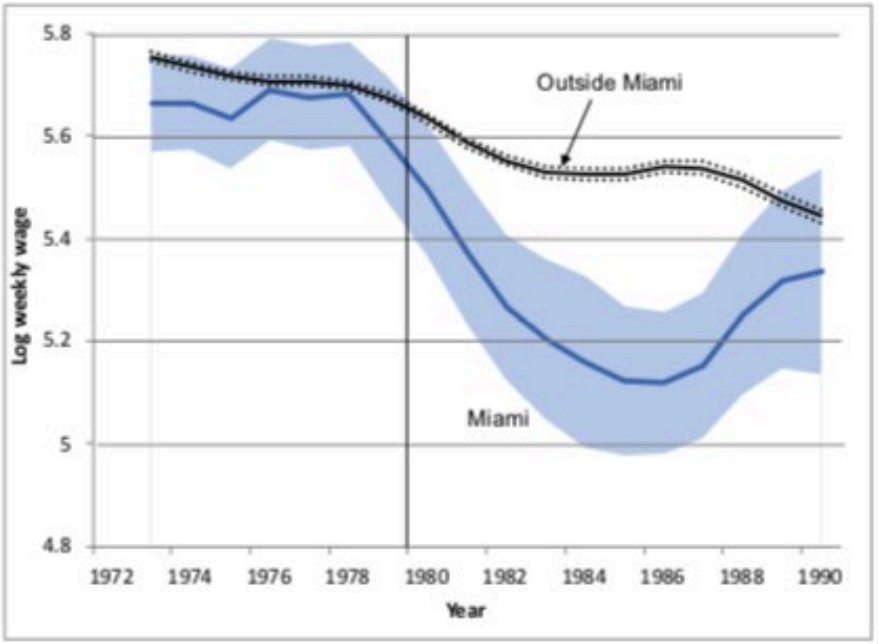


17. Mariel and wages for non-Hispanic men, 25-59, with less than high school diploma (Borjas, 2017)

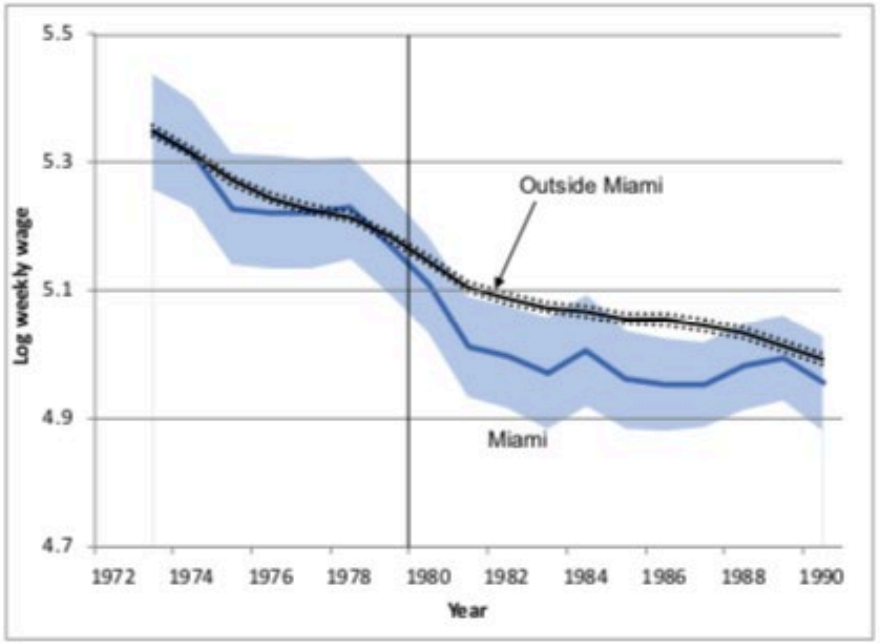


18. Research design, high school dropouts, and Mariel

A. Non-Hispanic men aged 25-59



B. Non-Cuban workers aged 16-61



19. The immigration surplus in the short run

- As with free trade, the supply-demand model taught in Econ 101 implies that an immigration-induced increase in supply increases GDP.
- Some of that increase goes to pay the wages of immigrants.
- Because the wage falls, native labor will lose. But native capital will gain even more. So natives as a whole gain from immigration.
- The increase in native wealth is the "immigration surplus." It can be estimated by putting some numbers on the supply-demand framework.

20. Estimate of the immigration surplus

TABLE 8.1. THE SHORT-RUN IMMIGRATION SURPLUS, 2015

	Billions of dollars
Immigration surplus	50.2
Loss to native workers	515.7
Gain to native firms	565.9
Total increase in GDP	2,104.0
Payments to immigrants	2,053.8

Source: Updated from George J. Borjas, "The Economic Benefits from Immigration," *Journal of Economic Perspectives* (1995). The calculations assume that the immigrant share of the workforce is 16.3 percent and that GDP is $18 trillion.

Calculation of immigration surplus ignores externalities. Those externalities can be beneficial or harmful.

21. Alternative spins on the immigration surplus reported in the 2016 NAS report

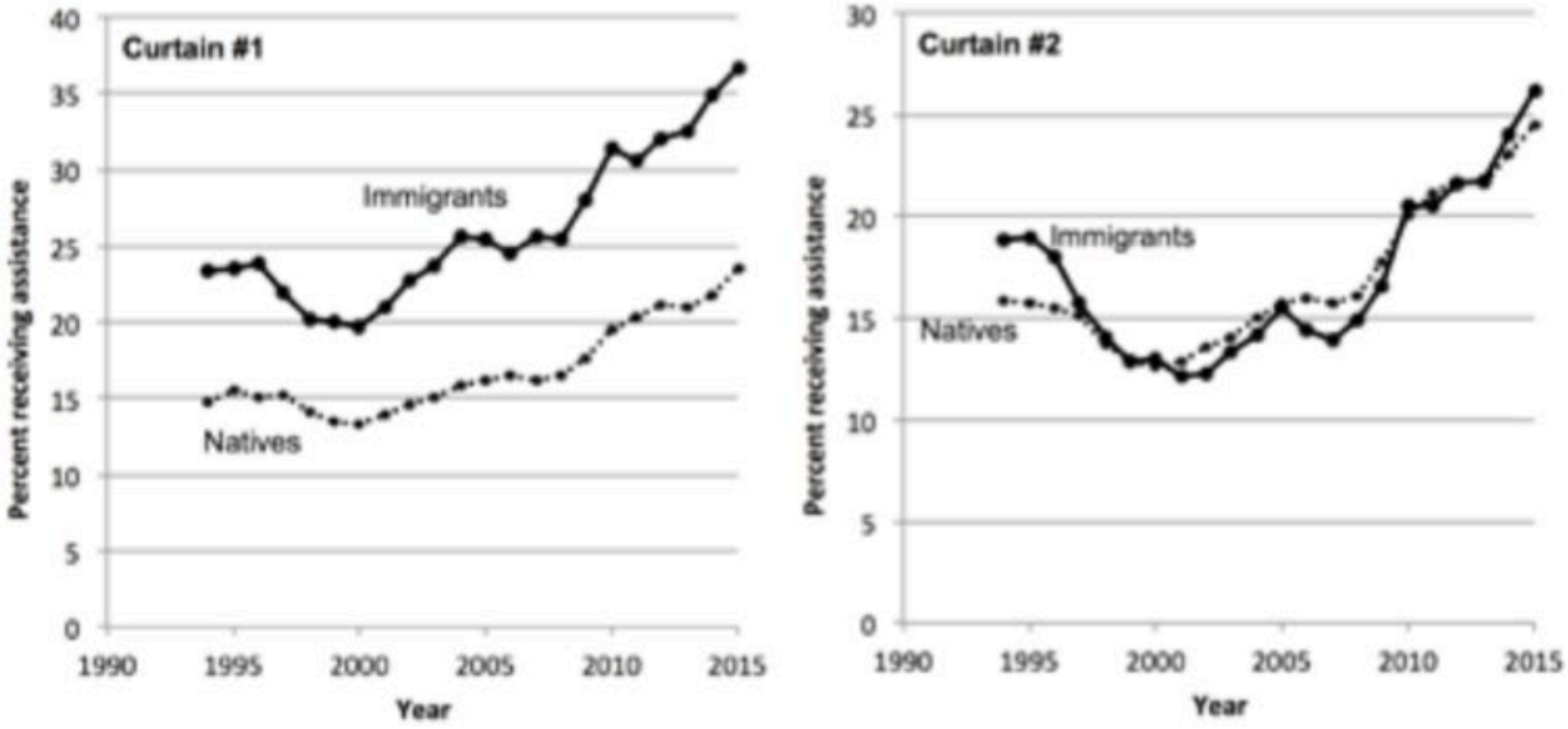
Opinion: 2 trillion reasons why immigrants make America great

NATIONAL ACADEMIES HIDES $500 BILLION 'IMMIGRATION TAX' IN 495-PAGE REPORT

Immigration brings many positive things, including diversity of experience and talent, new ideas, customs and skills. The National Academy of Sciences this week will release a report that the immigration surge to the United States from 1990 to 2010 produced net benefits for the native-born, beyond those accruing to the immigrants themselves, of $50 billion a year, a small but nontrivial amount. It is bigger than the economic gains expected from the Trans-Pacific Partnership, the trade agreement among 12 Pacific Rim nations now stalled in Congress.

22. Immigrant use of welfare

FIGURE 9.1. TRENDS IN WELFARE USE, 1994–2015



Curtain #1: Households

Curtain #2: Persons

23. Fiscal impact in the short run

- National Academy of Sciences, 2016: State and local expenditures on immigrants exceed taxes paid by immigrants by about $57 billion annually.
- If we add in the federal government, the burden can increase substantially, perhaps up to $299 billion.
- But short-run calculation misses a lot of the benefits (e.g., natives are getting older, and immigrants can help fund the liabilities).

24. Fiscal impact in the long run

TABLE 9.3. LONG-RUN FISCAL IMPACT OF THE AVERAGE IMMIGRANT (2016 NAS REPORT)

	Gain or loss	
	Assuming the future path of taxes and spending stipulated by the CBO	Assuming the current path of taxes and spending continues into the future
Immigrants do not increase the cost of public goods	+$58,000	–$36,000
Immigrants increase the cost of public goods	–$5,000	–$119,000

Source: Francine D. Blau and Christopher Mackie, eds., *The Economic and Fiscal Consequences of Immigration* (Washington, DC): National Academy Press, 2016), Table 8-11.

25. Long-run fiscal impact, 2016 NAS report, by education

	Scenario A	Scenario B
All immigrants	+$58,000	–$119,000
Less than high school	–$196,000	–$301,000
High school	–$47,000	–$193,000
Some college	+$99,000	–$96,000
BA	+$280,000	+$39,000
>BA	+$547,000	+$236,000

- **Scenario A:** Assumes future path of taxes and spending stipulated by the CEO and immigrants do not increase the cost of public goods.
- **Scenario B:** Assumes current path of taxes and spending continues into future and immigrants increase the cost of public goods.

- Source: Blau and Mackie, eds., *The Economic and Fiscal Consequences of Immigration* (Washington, DC: National Academy Press, 2016), Table 8-12.

26. And in the end…

- The most credible estimate of the immigration surplus is about $50 billion annually. Most credible estimates of the fiscal burden are at least $50 billion. Put bluntly, immigration may be **at best** a net wash.
- But there are winners and losers; and the losers compensate the winners to the tune of half-a-trillion dollars annually.

27. Who are *you* rooting for?

- The adoption of *any* immigration policy implicitly makes a statement not only about how much we care about immigrants as compared to natives, but also about how much we care about *this* particular group of natives versus *that* particular group of natives. And should we care about the people left behind?
- The nature of the "social welfare function" is at the heart of the debate over immigration, but it is a detail that is completely absent from the modern debate.