

***Osher Lifelong Learning Institute, Winter 2022***  
**Contemporary Economic Policy**

American University  
March-May, 2022

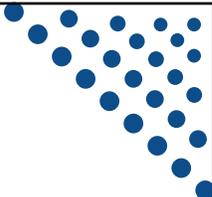
Host: Jon Haveman, Ph.D.  
National Economic Education Delegation

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**Available NEED Topics Include:**

- Coronavirus Economics
- US Economy
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Housing Policy
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- US Social Policy

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## Course Outline

### • Contemporary Economic Policy

- Week 1 (3/11): US Economy & Coronavirus Economics
- Week 2 (3/18): Federal Debt (Brian Peterson, Central College)
- Week 3 (3/25): Trade and Globalization (Alan Deardorff, Univ. of Michigan)
- Week 4 (4/1): Healthcare Economics (Veronika Dolar, SUNY-Old Westbury)
- **Week 5 (4/8): Economics of Immigration (Jennifer Alix-Garcia, Oregon St. Univ.)**
- Week 6 (4/15): Economic Inequality (Kyle Montanio, Colorado University - Denver)
- Week 7 (4/22): Economic Mobility (Kathryn Wilson, Kent State University)
- Week 8 (4/29): Discrimination in US Policy History (Jon Haveman, NEED)
- Week 9 (5/6): The Black-White Wealth Gap (Mike Shor, Univ. of Connecticut)
- Week 10 (5/13): The Gender Wage Gap (Mallika Pung, Univ. of New Mexico)



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## Submitting Questions

- **Please submit questions in the chat.**
  - I will try to handle them as they come up, but may take them in a bunch as time permits.
- **I will catch up on the questions in the chat before starting up again after the break.**
- **We will do a verbal Q&A once the material has been presented.**
  - And the questions in the chat have been addressed.



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**immigration**  
legal  
illegal  
immigrant  
citizenship  
travel  
passport  
security  
authority  
refugee  
visa  
border  
entry  
exit  
naturalization  
denial  
detention  
deportation  
asylum  
visa  
border  
entry  
exit  
naturalization  
denial  
detention  
deportation  
asylum

# The Economics of Immigration

OLLI – American University  
April, 2022  
Jennifer Alix-Garcia, PhD



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## Outline

- What is immigration?
- Why do people migrate?
- History of immigration to the US
- Economics of immigration

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## 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.



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## Why Do People Migrate?

- **Push factors:**

- Economic dislocation, 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

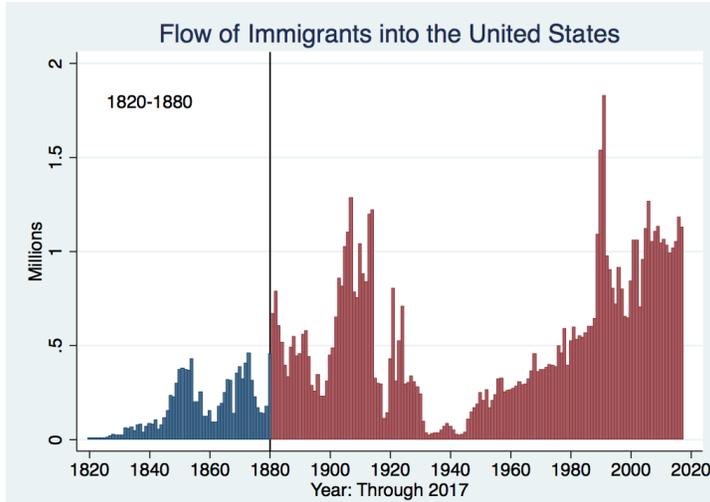
- **Individual level:**
  - Economic opportunity, escape social turmoil.
- **Family level:**
  - Desire of the family to improve its security or level of economic well-being.
  - “Remittances”
- **Structural or Institutional:**
  - War, better information about opportunities, easier transportation, income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

# History of 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.

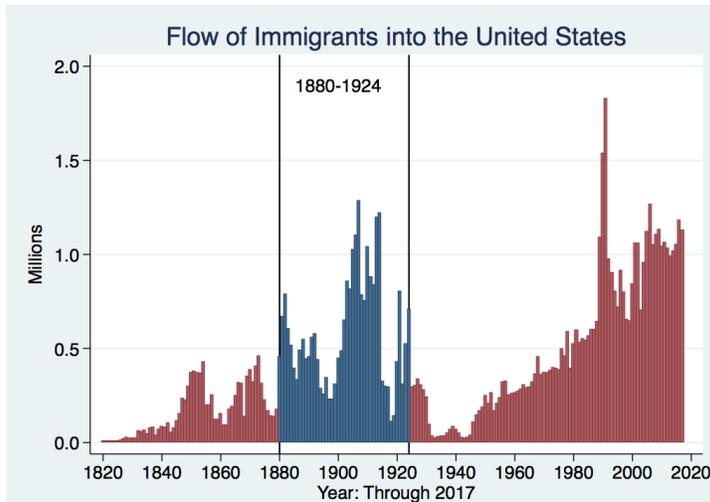
# History of US Immigration



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

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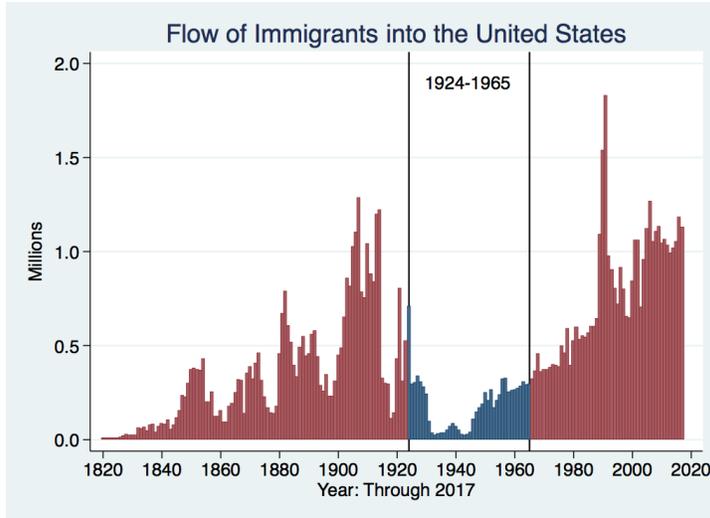
# History of US Immigration



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

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# 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

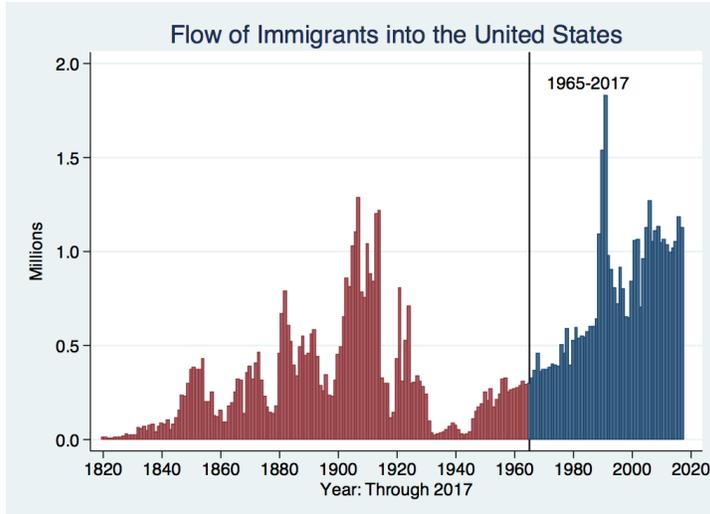
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# Signing up for Bracero Program



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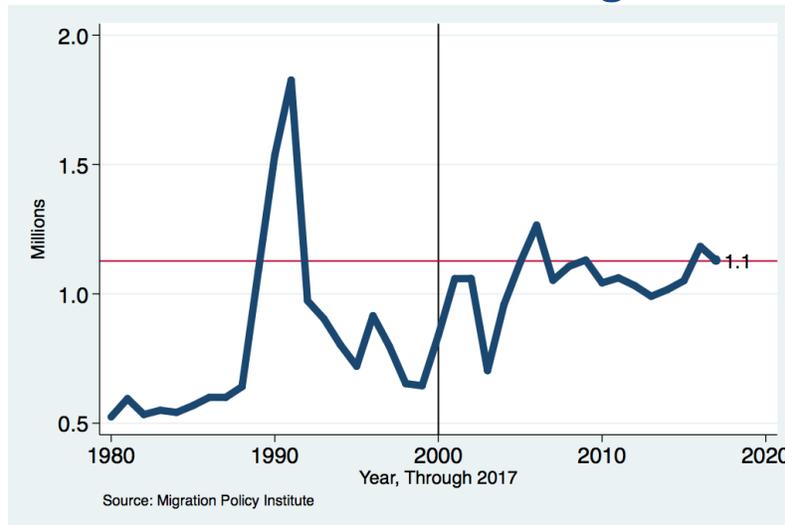
# History of US Immigration: 1965-Today



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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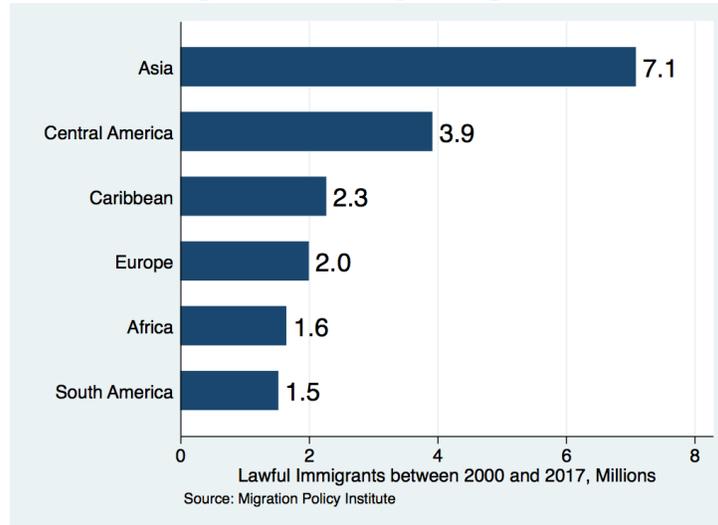
# Recent Trends in Authorized Immigration



Source: Migration Policy Institute

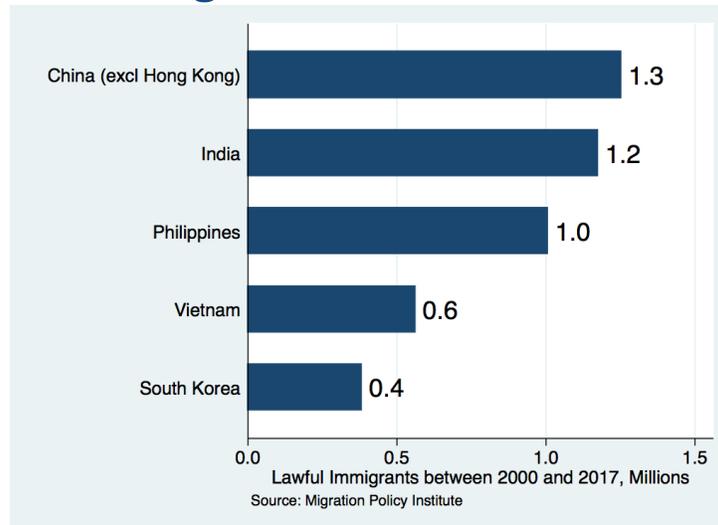
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## Authorized Immigration by Region



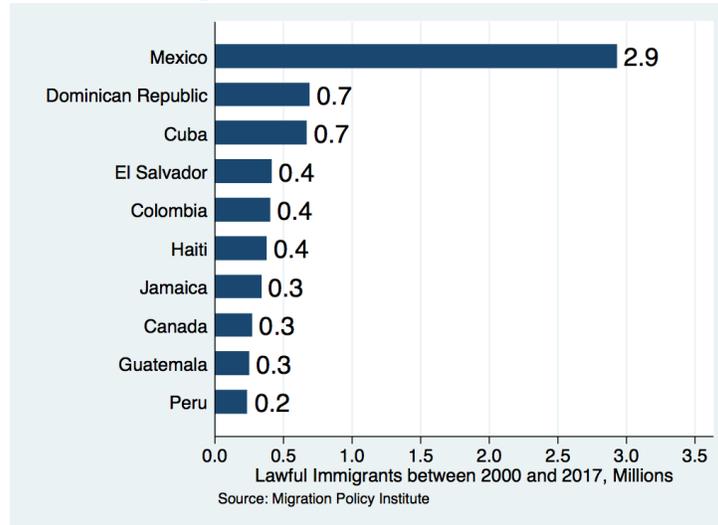
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## Authorized Immigration from Asia



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## Authorized Immigration from the Americas

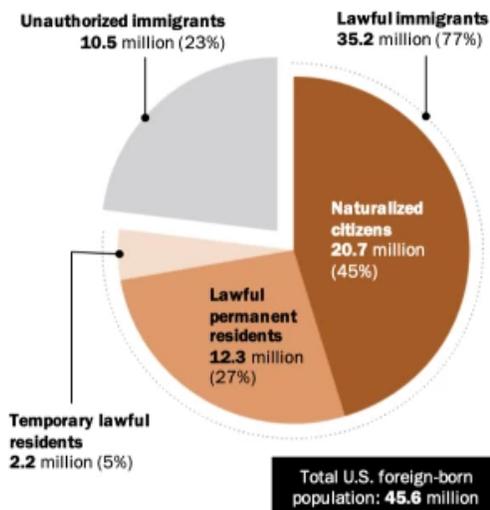


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## Immigrant Population in 2017

Foreign-born population estimates, 2017

Categories of the total number of immigrants in the United States.

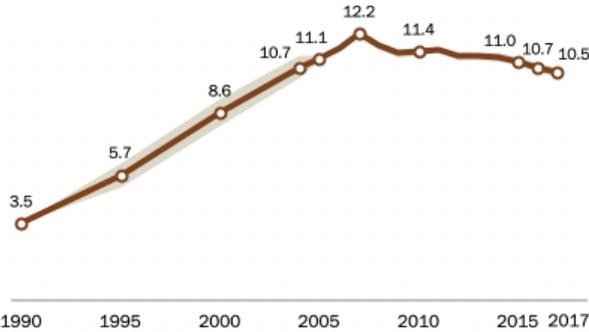


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# U.S. Unauthorized Immigration Totals

## 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.

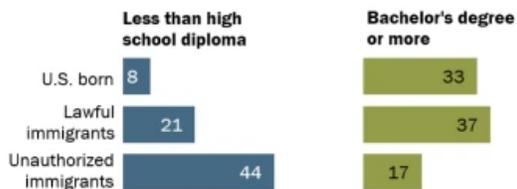
PEW RESEARCH CENTER



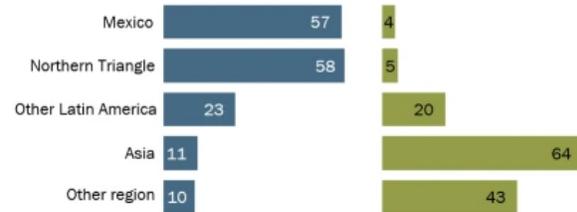
Pew Research Center, 5 facts about illegal immigration in the U.S., June 12, 2019

# Unauthorized Immigration: Education

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



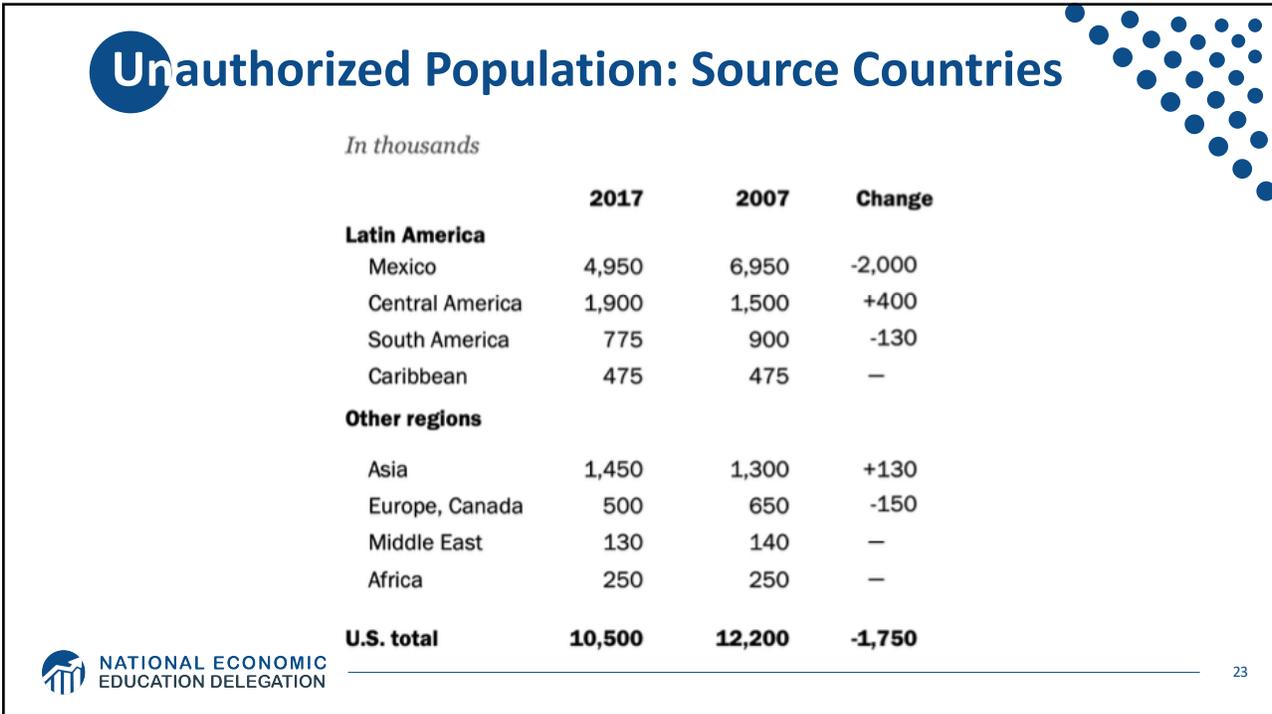
Among unauthorized immigrants from ...



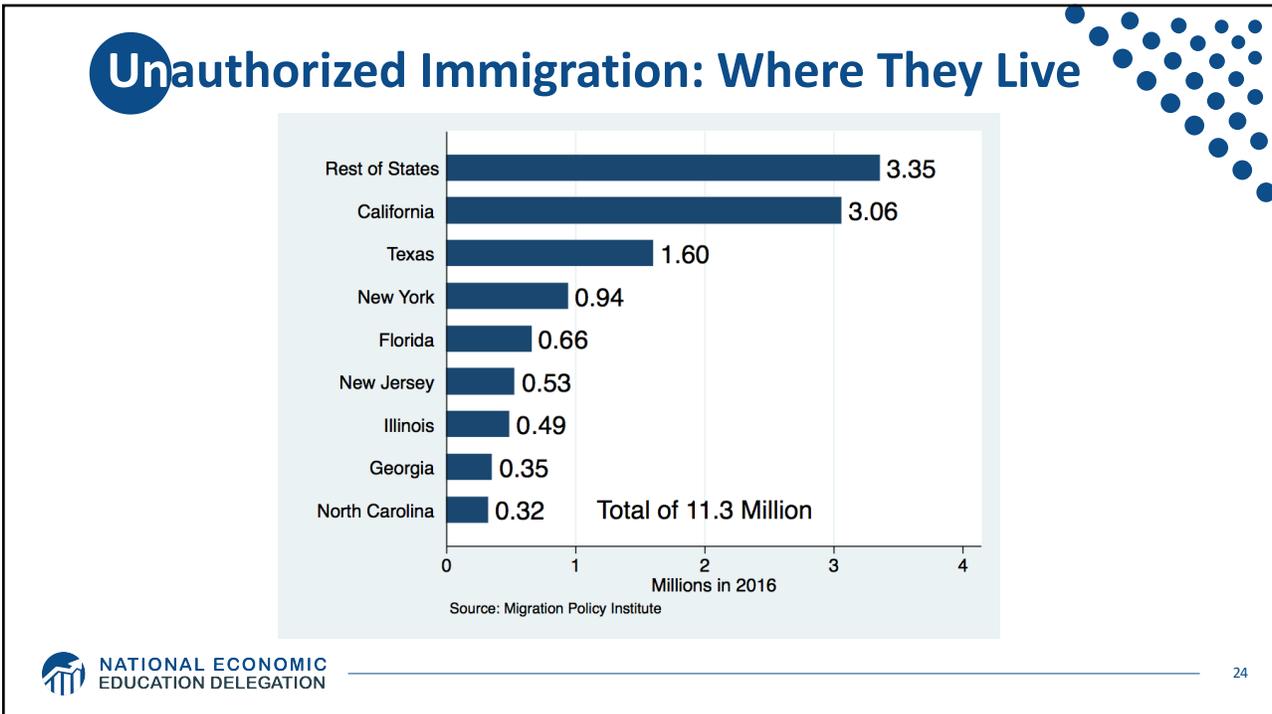
Note: Northern Triangle includes El Salvador, Guatemala and Honduras.



Pew Research Center, U.S. unauthorized immigrants are more proficient in English, more educated than a decade ago, May 23, 2019



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## Why Do We Care? Economic Implications

- GDP
- Labor markets
- Government revenue and spending
- Prices
- Exports and FDI



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## Two Sets of Implications

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



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## **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: Complicated

- **Depends on the type of immigrant: Skills/education**

- Similar to native-born population?
- Low-skilled?
- Highly skilled?

- **Brings capital market implications**

- Low-skilled – capital supplementing
- Highly skilled – capital complementing



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Source: Hong & McLaren (2015).

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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 depending upon skill level.

- **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: 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 in the short run**

- Particularly high school dropouts and those in vulnerable communities.

- **Other workers will likely benefit**

- Through increased wages.
- Through increased opportunity (each immigrant creates ~1.2 local jobs).

- **Owners of capital will benefit**

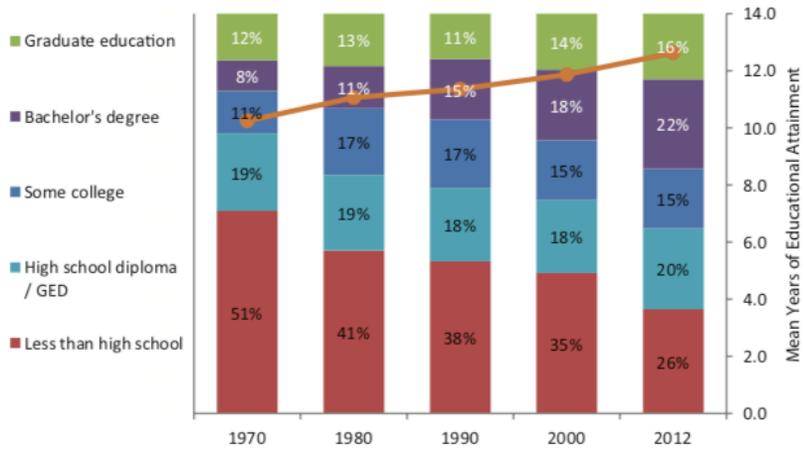
- Existing capital will earn greater returns.
- More if immigrant labor complements existing capital.



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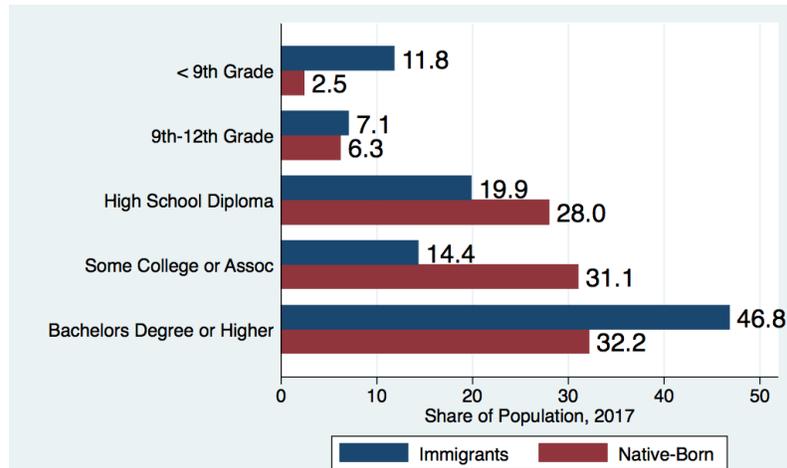
## Pattern of Immigration

Educational Attainment of Recent Immigrants – Last 5 Years



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## Recent Immigrants Are Less and More Educated



Source: Migration Policy Institute  
Authorized immigration between 2013-2017

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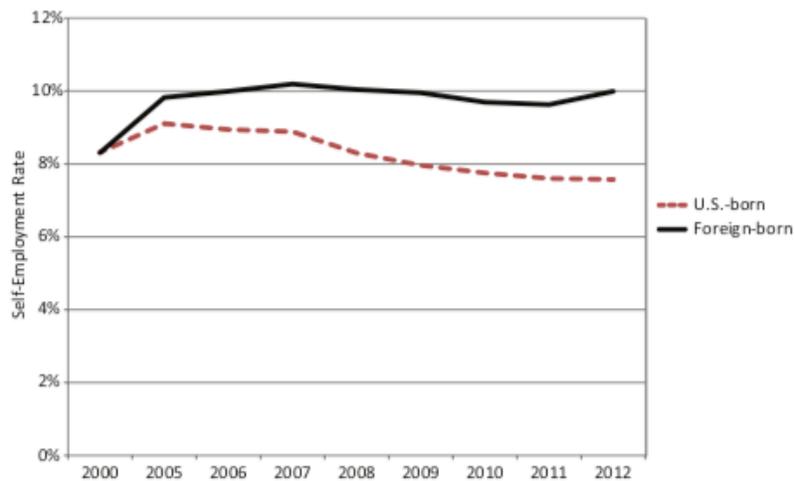
## Skilled Immigrants and Innovation

- **1% increase in the share of the immigrant college graduate population**
  - 9-18% increase in patenting per capita
  - 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.

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## Immigrants and Entrepreneurship

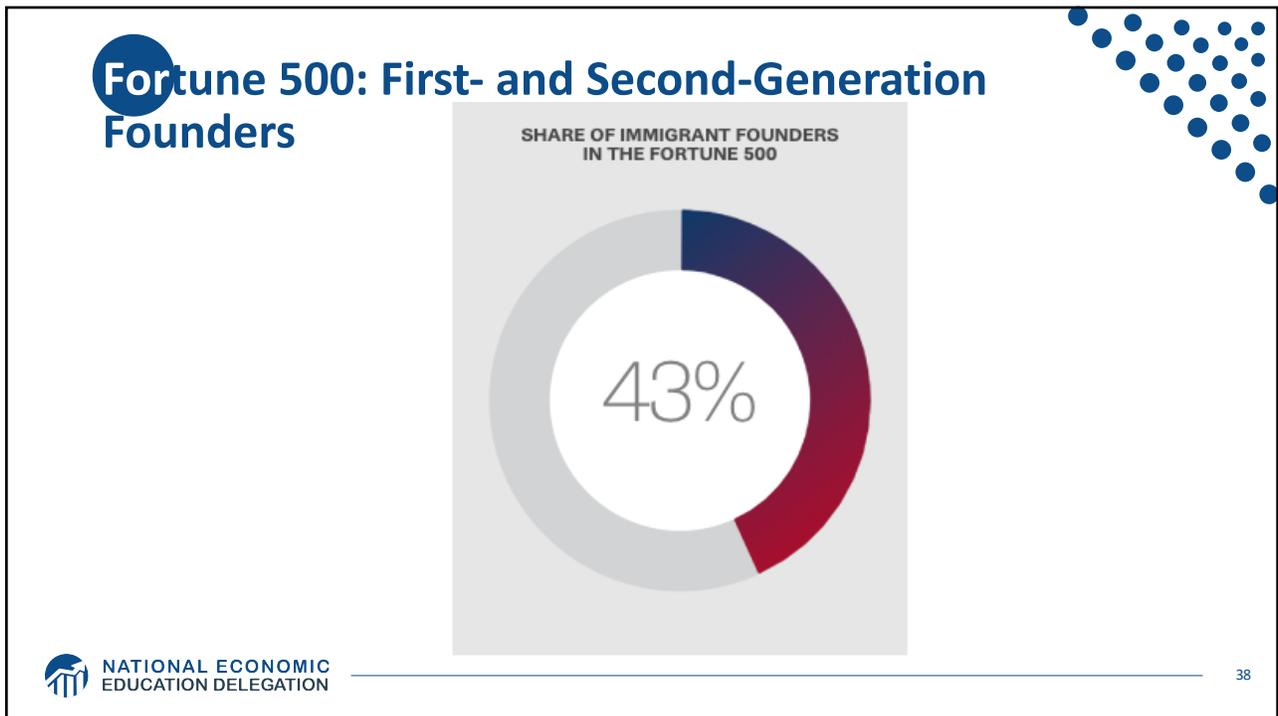
Self-Employment Rates by Nativity



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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.



## 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 highly skilled workers

### • ... but not for everybody:

- +1% for native high school dropouts
- +4.2% for low-skilled native-born Hispanics

### • Conclusion:

- Positive net benefits for the country as a whole.
- But not all benefit.



## Prices and Economic Expansion

- **Economic Expansion**

- Increases the labor supply.
  - Lowers the prices of immigration-intensive products.
- Frees up highly skilled labor to provide more market services.
  - Primarily through provision of household services.
  - Evidence of an expansion of labor provided by highly 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 economy.**
- **Two additional reasons:**
  - Taxpayer inequity geographically
  - Necessary to understand the full consequences of admitting additional immigrants into the country



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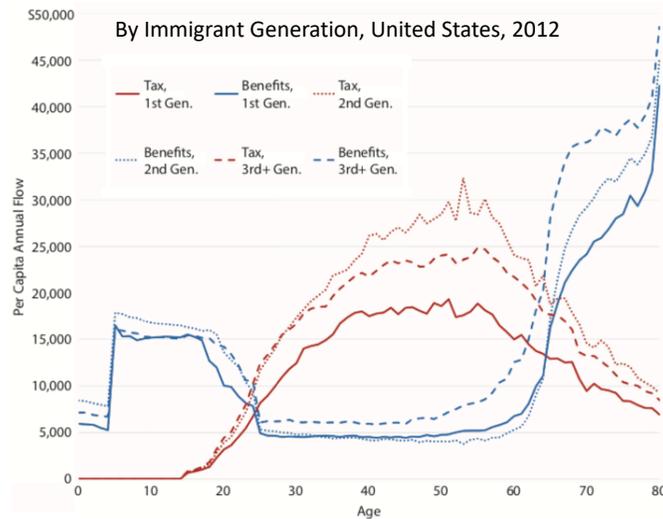
## Topics?

- **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.



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## Age-Specific Taxes and Benefits



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## 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

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## Bottom Line/Consensus of Estimates

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



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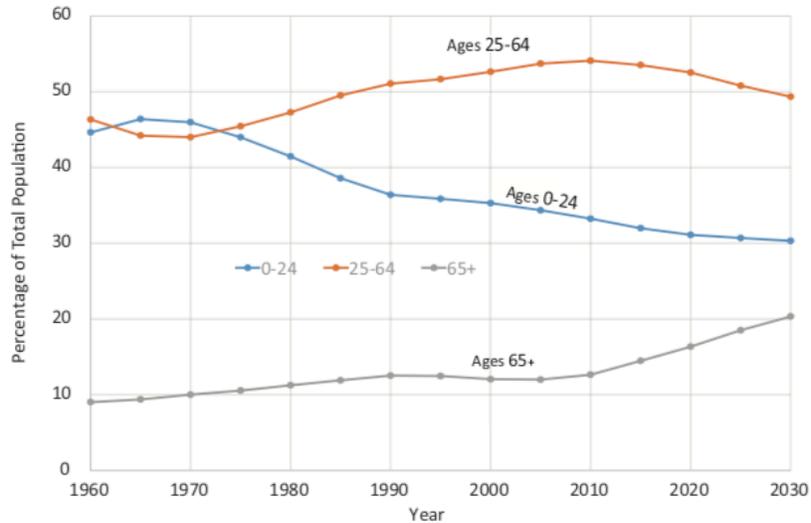
## Implications for Major Federal Programs

- **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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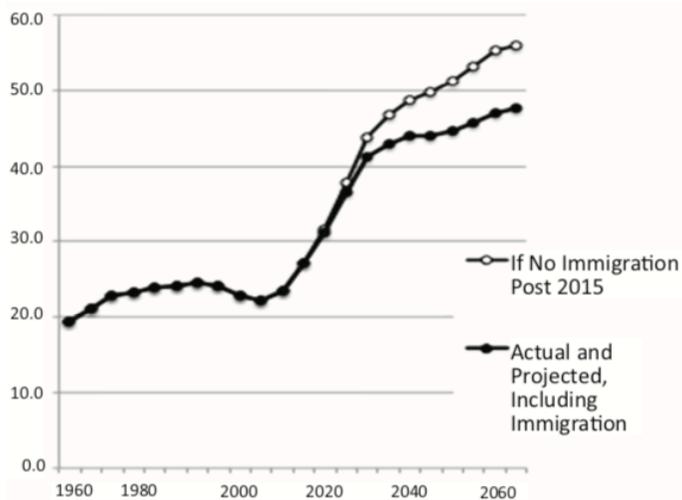
# The Aging US Population



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# Implications for Social Security

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



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# Other Implications of Immigration

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## Non-Economic Implications

### Patterns of Integration

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

### The Big Misconception: Crime

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# Immigrants and Crime Rates

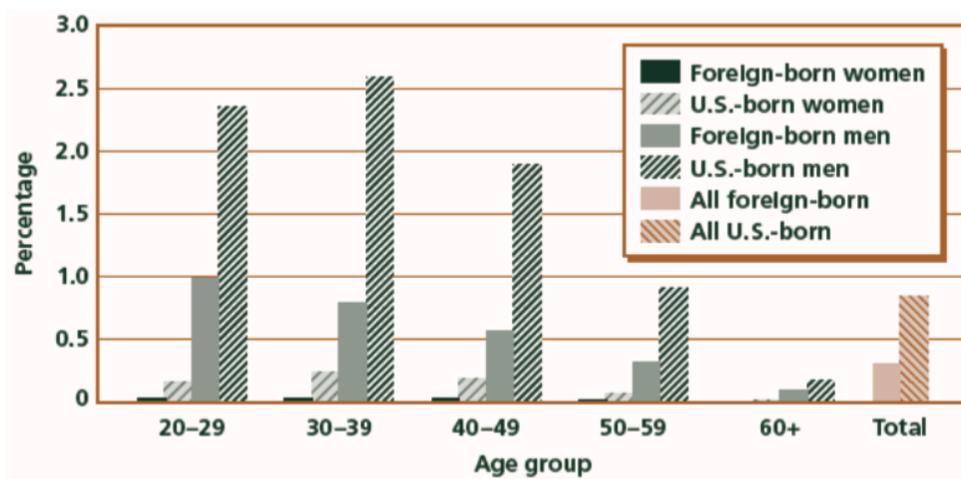
• **Conventional wisdom:**

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

**Let's Have a Look!**

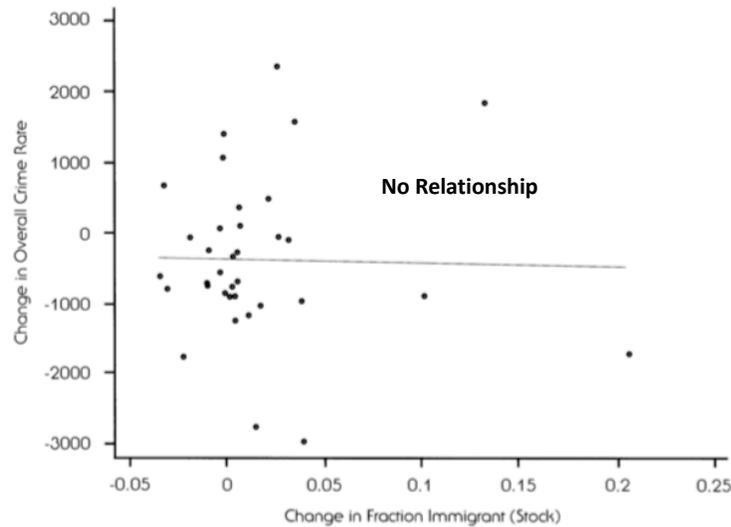
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# Crime: Incarceration Rates in California



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## MSAs: Growing Immigration and Crime



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Source: Butcher & Piehl (1998b).

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## 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.



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



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## 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.



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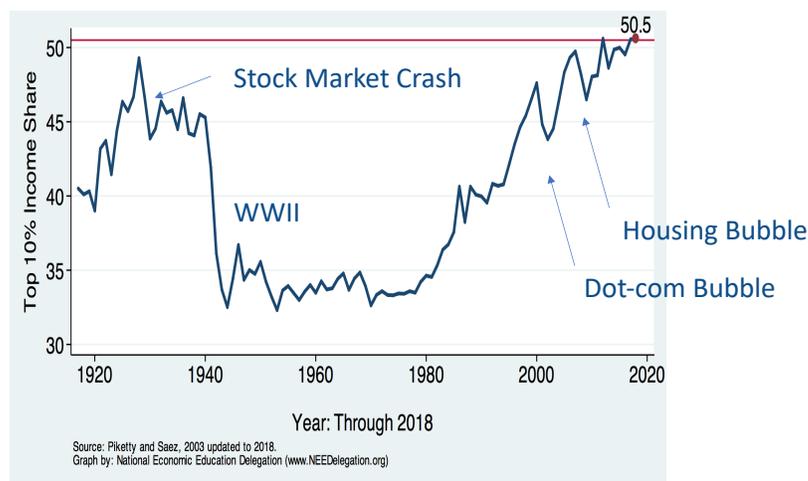
## About Conventional Wisdom

- **Native-born unskilled workers**
  - There is some negative impact on their wages.
  - But who wins and loses depend on the skill mix of immigrants;
    - 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.



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## Income Inequality: Kyle Montanio



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**Thank you!**

## Any Questions?

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