

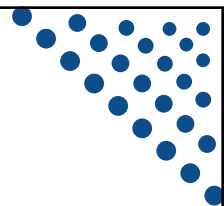
The Economics of Immigration

Civic Club of San Jose
November 26, 2024

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National Economic Education Delegation



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Outline

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



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Immigration Quiz

- What % of the U.S. population are immigrants?
 - 14%
- What % of the world's population are immigrants?
 - 3.6%
- 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%



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

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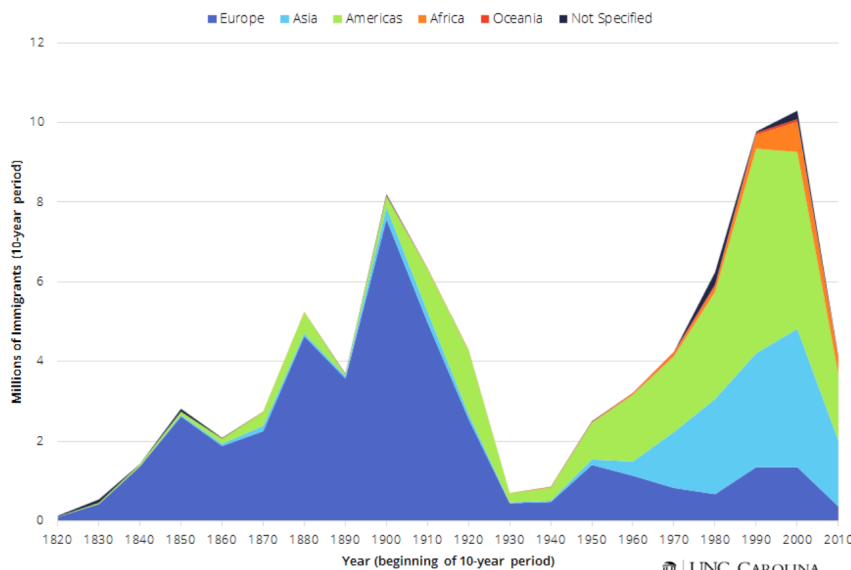
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Immigration Quiz

- 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 rather than 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?**

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Volume of U.S. Immigration & Continent of Origin by Decade, 1820-2013



Data Source: U.S. Department of Homeland Security

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Why Do People Migrate?

- **Push factors:**

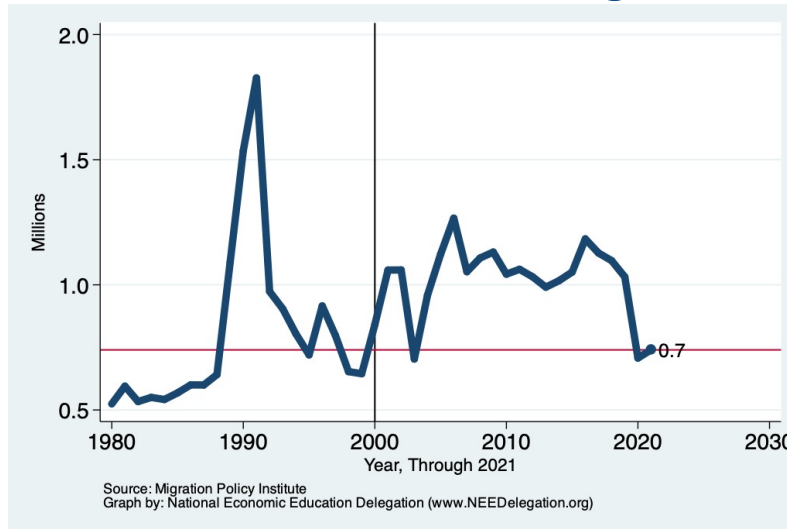
- Disparities in income/standards of living, and the availability of jobs, violence/war, climate change, natural disasters, population pressures, economic dislocation, religious persecution, and denial of political rights.

- **Pull factors:**

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

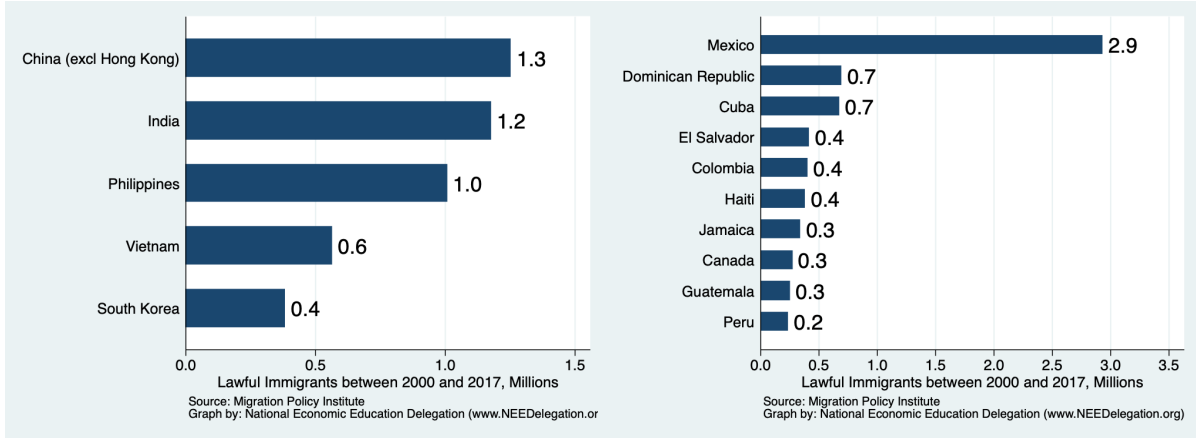
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Recent Trends in Authorized Immigration

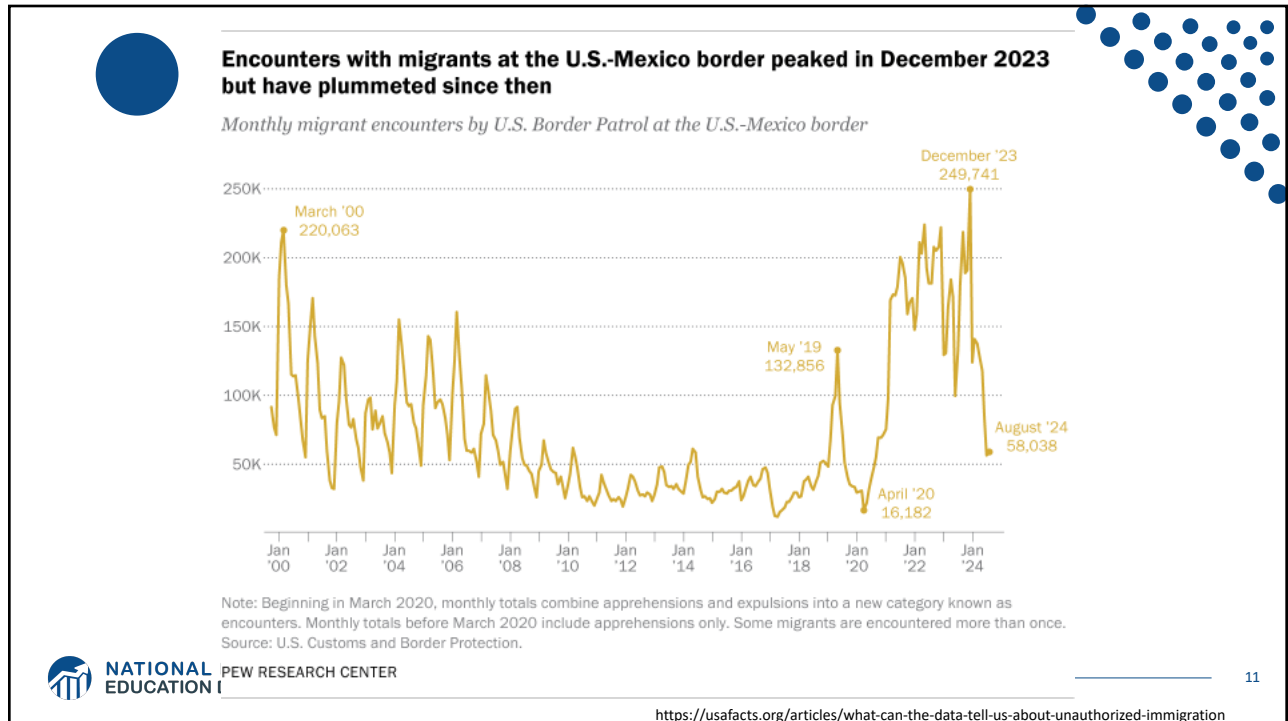


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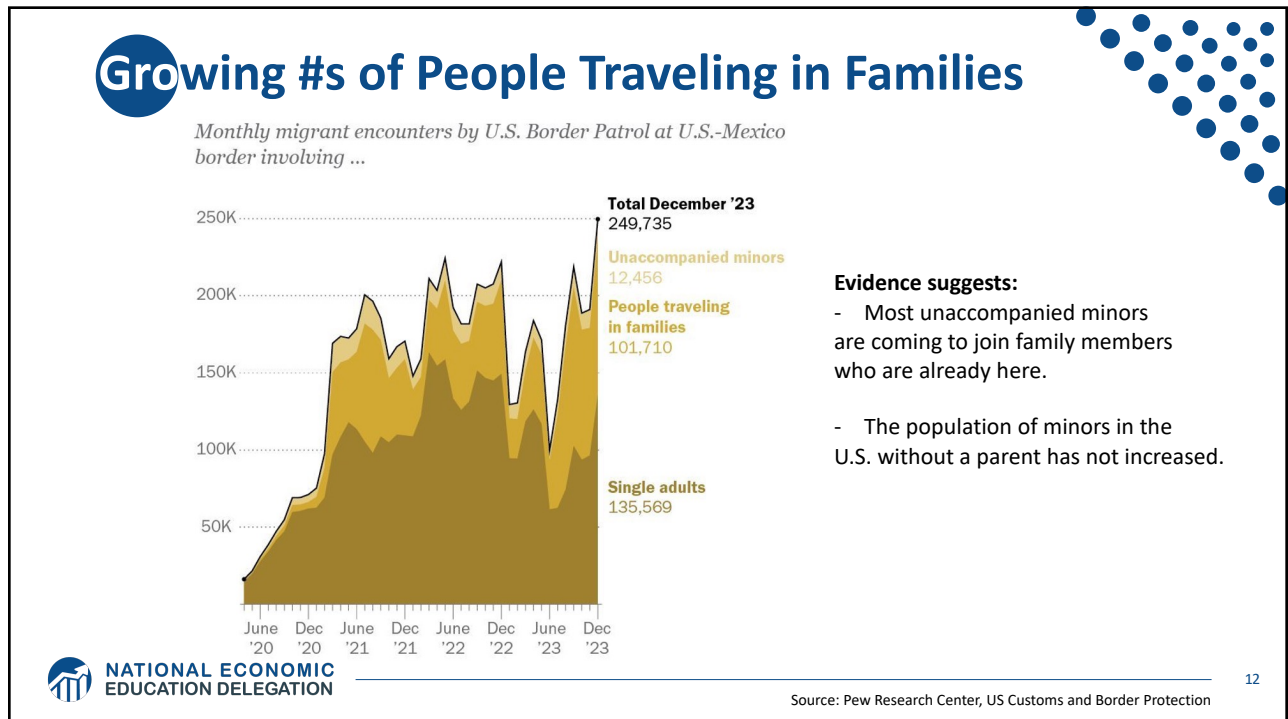
Authorized Immigration by Source



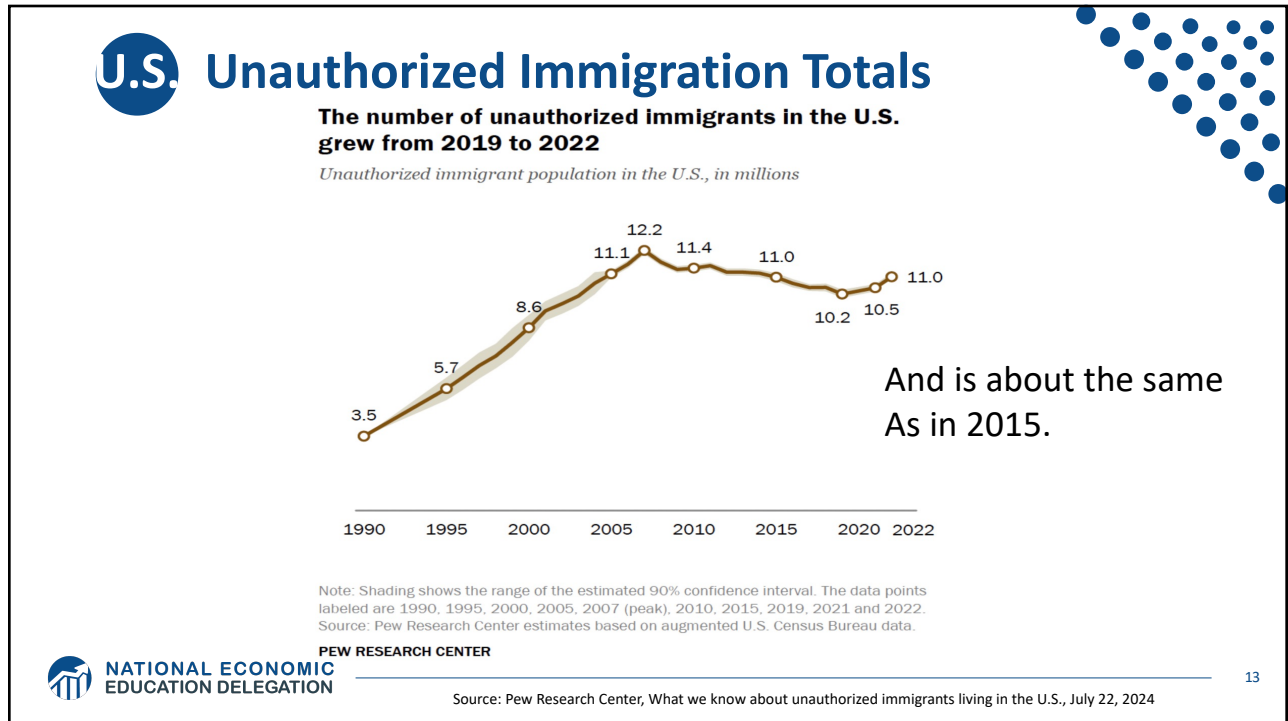
UNauthorized Immigration



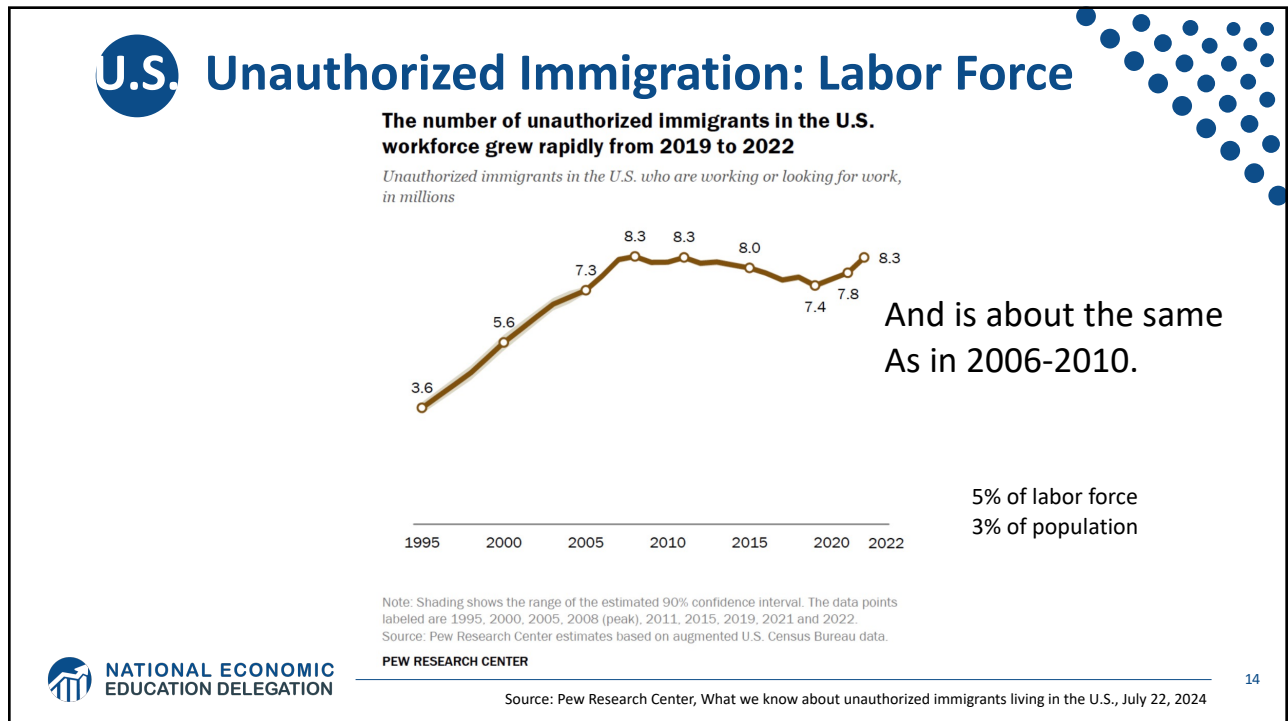
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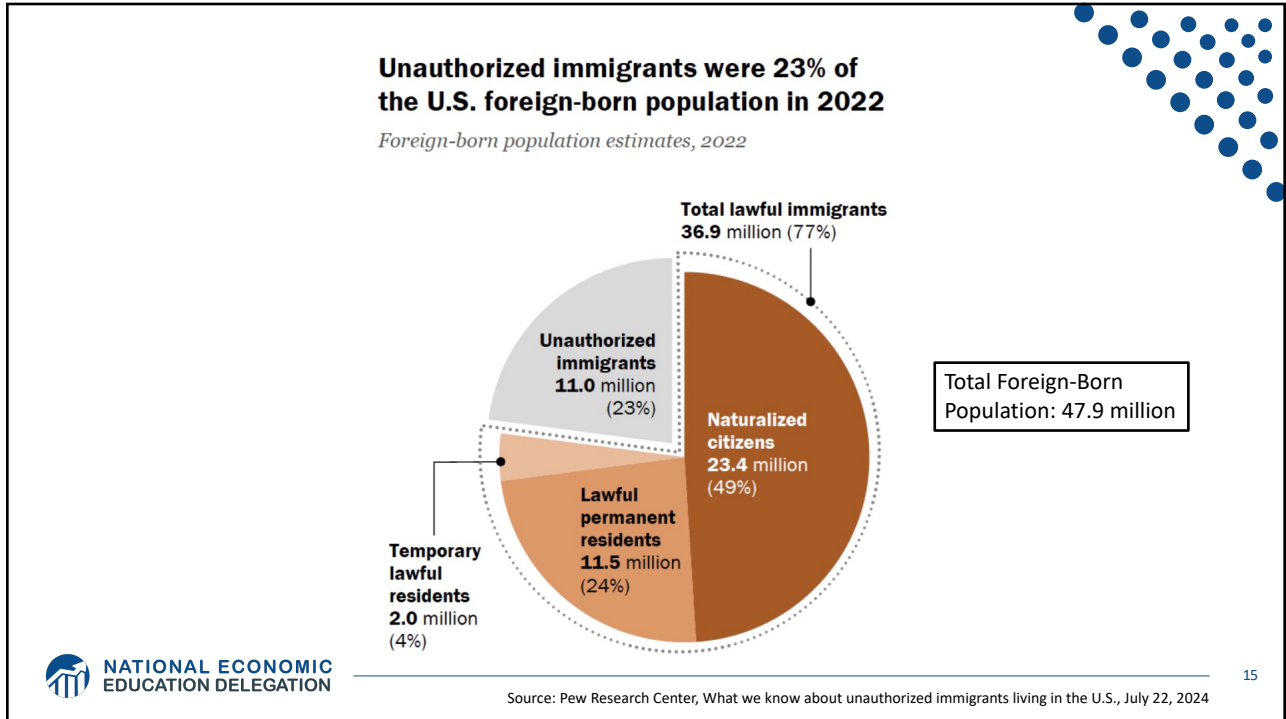
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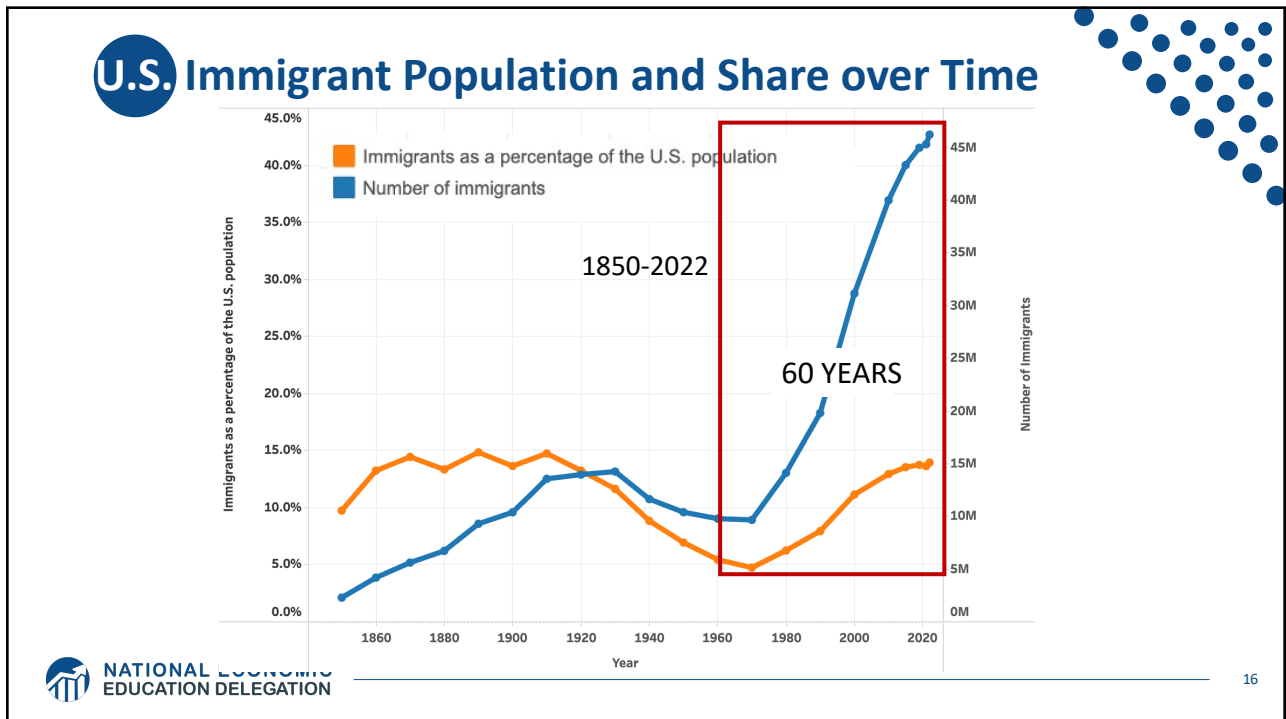
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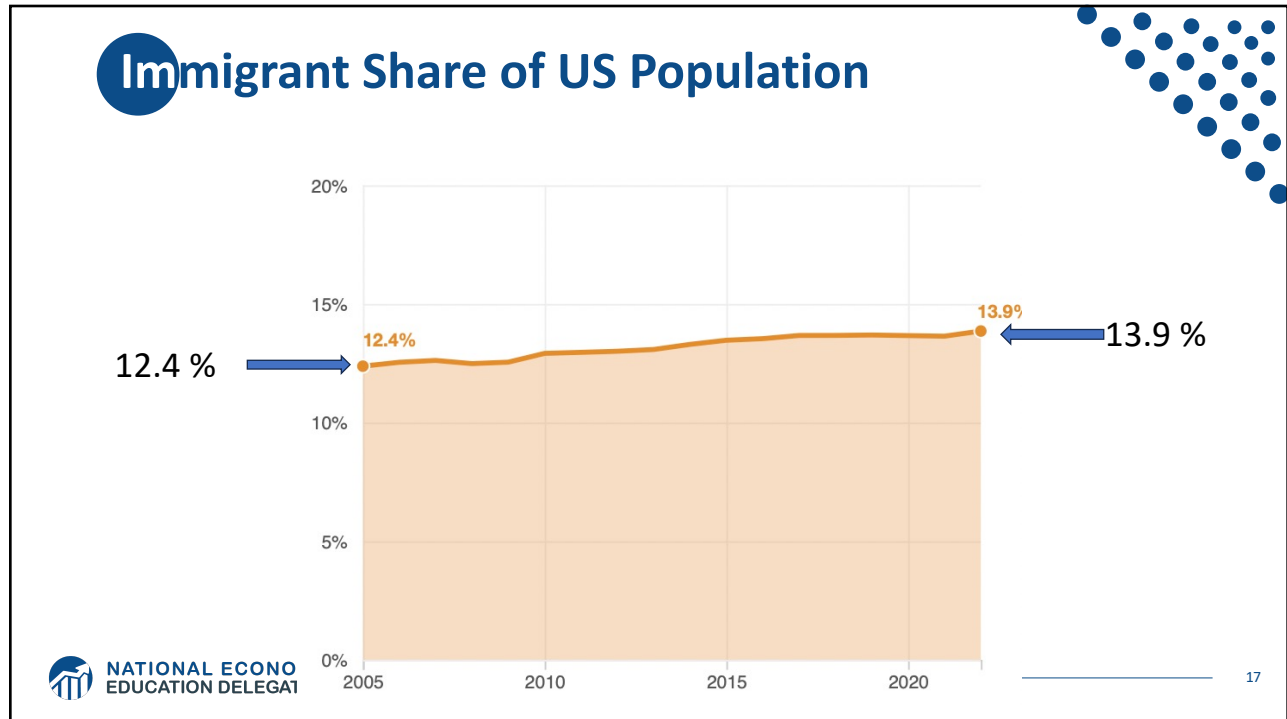
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Why Do We Care? Economic Implications

- Conventional Wisdom Issues:
 - Labor markets: Wages and Jobs
 - Government Revenue and Spending
 - Crime
- Other issues (that don't get talked about much):
 - Gross Domestic Product (GDP)
 - Innovation and Entrepreneurship

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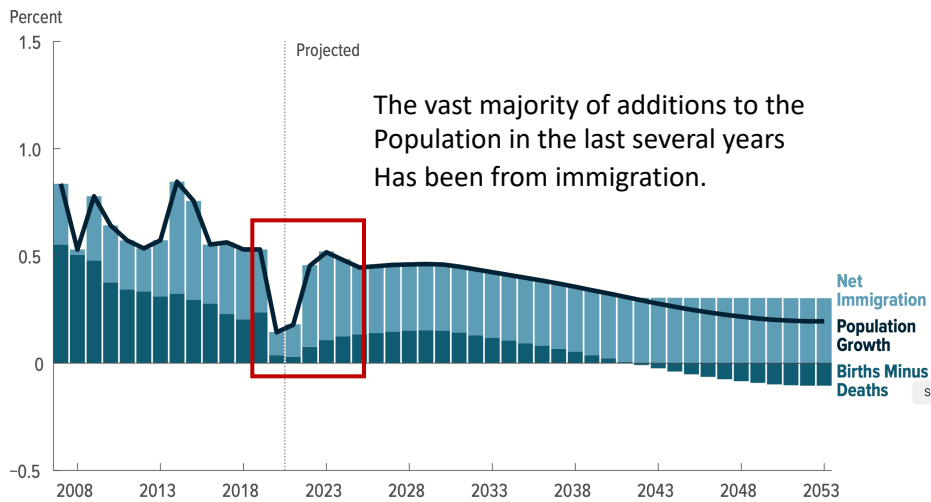
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GDP: How Does This Work?

- **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**
 - 33.0 million foreign-born persons ages 16+ in the labor force in August/24.
 - 19.6% of the total US workforce.
- **Evidence**
 - Immigrants added 11% to GDP (\$2 trillion) in 2016.

Is Immigration Saving the Day?

Population Growth and Its Underlying Factors



Labor Market Implications: Complicated

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

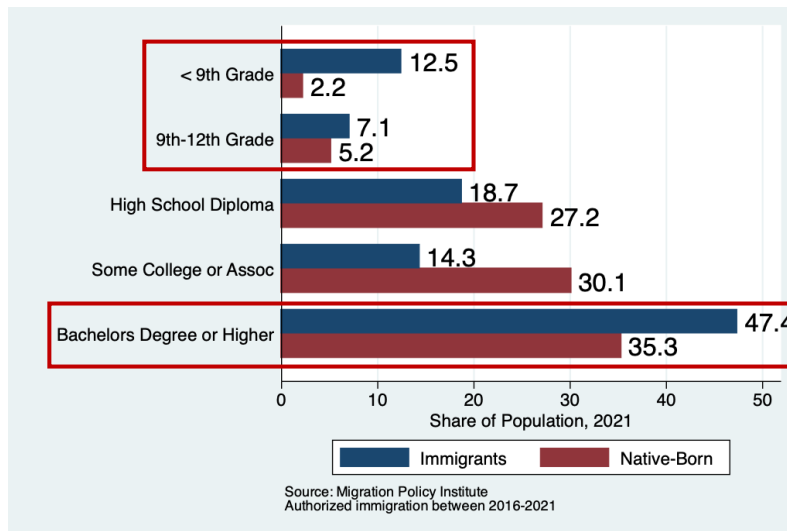
- Similar to native-born population?
- Low-skilled?
- Highly skilled?

- **Brings capital market implications**

- Low-skilled immigrants – capital supplementing
 - o Competing
- Highly skilled immigrants – capital complementing
 - o Mutually beneficial.

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Recent Immigrants Are Less and More Educated



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Conventional Wisdom...Upended

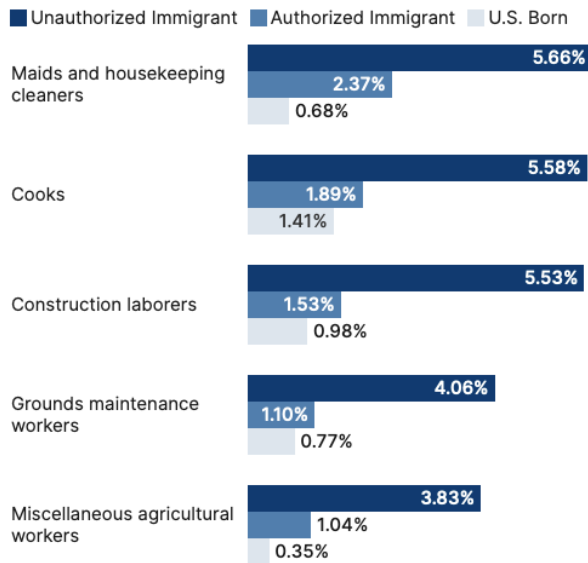
- **What is the conventional wisdom?**

- Low-skilled immigrants come in and take jobs from low-skilled native-born individuals.
 - o 1-1 tradeoff.

- **What does new research show?**

- Low-skilled immigrants contribute positively to the economy.
 - o Every 100 low-skilled immigrants: create 9 jobs for low-skilled native-born.
 - o They create opportunities for low-skilled native-born workers.
- Low-skilled immigrants take jobs that native-born don't want.

Share of Workers in Each Occupations



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.



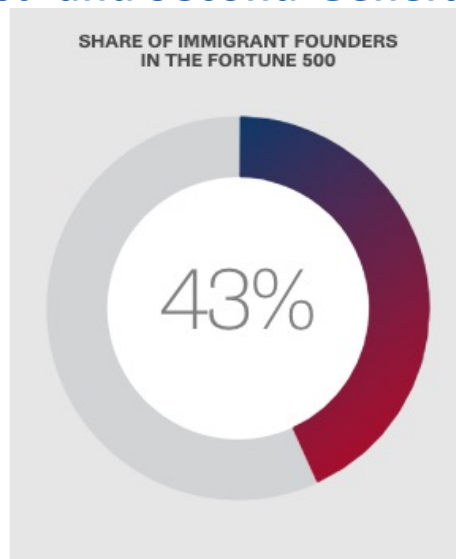
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Source: Hunt and Gauthier-Loiselle (2008).

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Fortune 500: First- and Second-Generation Founders



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Government Revenues and Expenditures



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Topics?

- **Basic Question:**

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

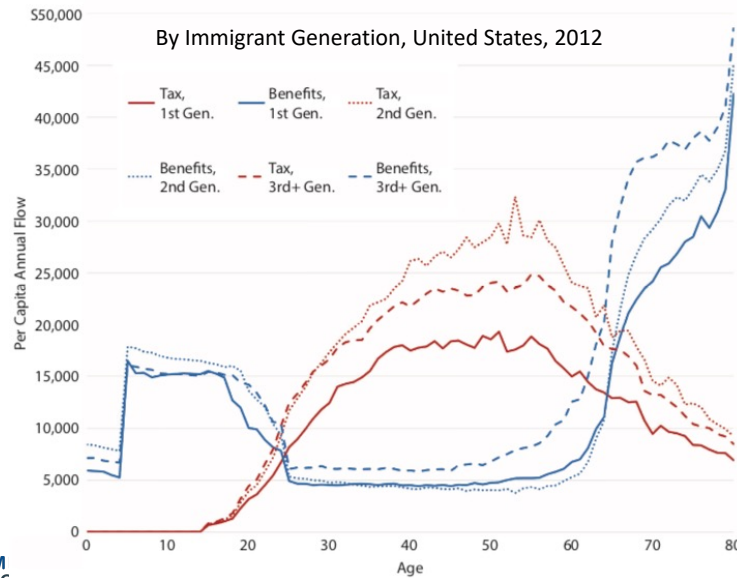
- **More complicated:**

- 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
 - Though this value gradually declines with age at arrival.
 - 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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Immigrants and Crime Rates

- **Conventional wisdom:**

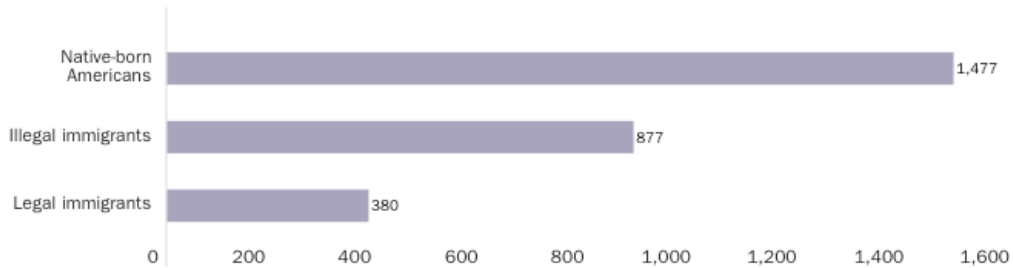
- Immigrants commit crimes more frequently than do native-born residents.
- Rising immigration leads to rising crime.

Let's Have a Look!

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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.

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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 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.



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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 be entrepreneurial and to add significantly to economic growth.
- **Even though 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;
 - 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.



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The Next President and Immigration

- **Donald Trump**
- **Massive deportations.**
 - Also housing policy, but won't work.
 - Revoke TPS.
- **Finish the wall.**
- **End birthright citizenship.**



Revisit Deportations

- **Immigrants work different jobs than does the native-born population.**
- **Immigrants contribute to the local economy.**
 - GDP losses of up to \$1.7 trillion annually.
- **Immigrants keep prices low: in particular, food!**
- **Deportations impact tax revenues.**
 - \$1,300 more in on average than out, annually.
 - Unauthorized immigrants: \$22.6 billion in social security and \$5.7 billion in Medicare payments.
- **Deportations are expensive (\$13,000 each).**
 - Total cost \$315 billion.
- **They rob people of their dignity.**





Thank you!

Any Questions?

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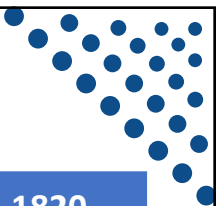
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History of US Immigration

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.



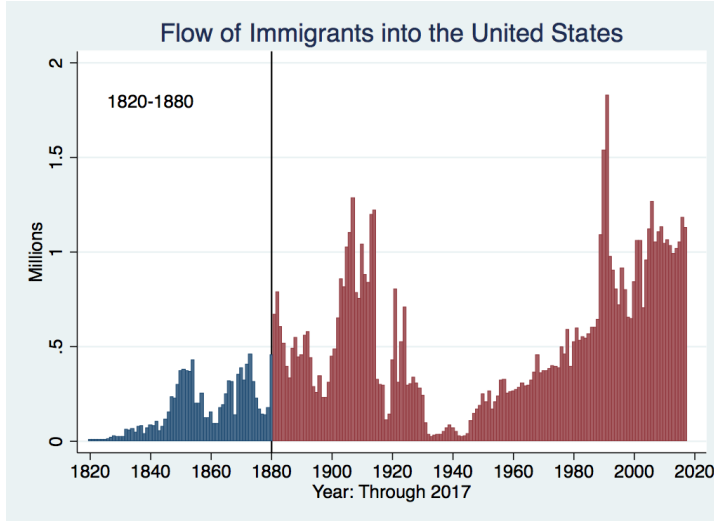
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Source: <https://www.libertyellisfoundation.org/immigration-timeline/>.

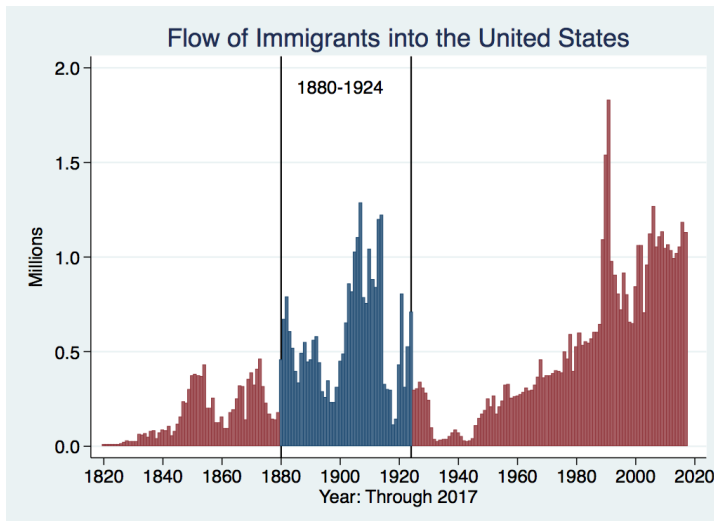
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History of US Immigration



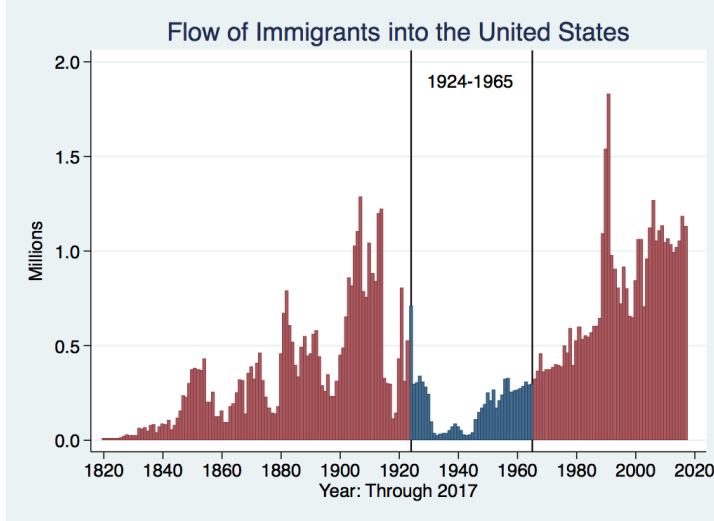
Source Countries	1820-1880
Germany	3,000,000
Ireland	2,800,000
Britain	2,000,000
Austro-Hungarian empire	1,000,000
Canada	750,000
China	230,000
African countries	50,000

History of US Immigration



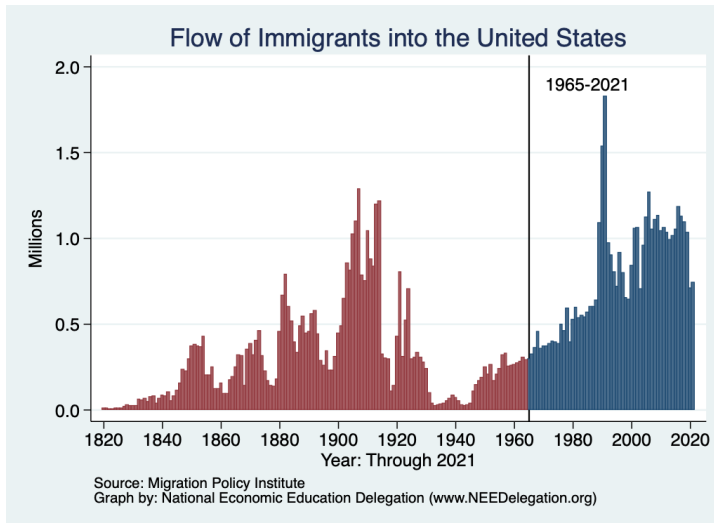
Source Countries	1880-1930
Italy	4,600,000
Austro-Hungarian empire	4,000,000
Russian empire	3,300,000
German empire	2,800,000
Britain	2,300,000
Canada	2,300,000
Ireland	1,700,000

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

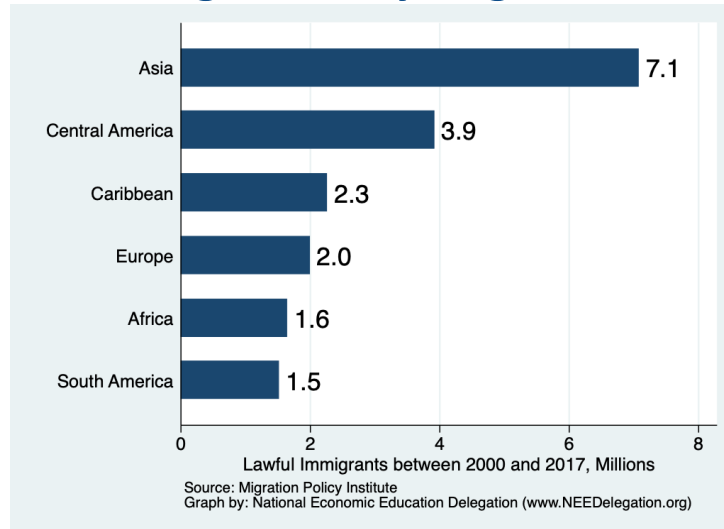
Typical year during decade...

- 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%)



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

Authorized Immigration by Region



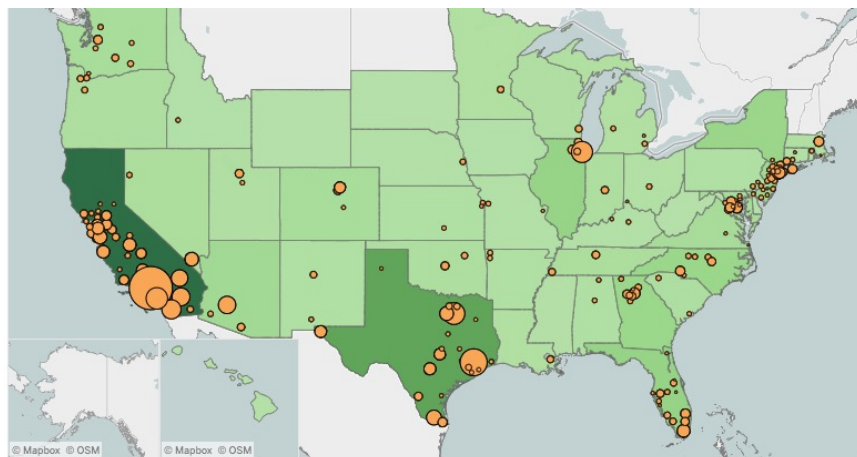
Total and Average Annual Immigrant Arrivals, 1820-2015

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)

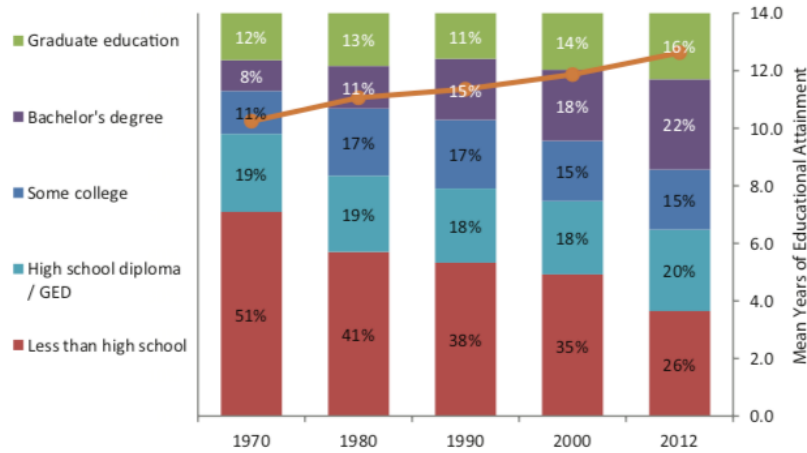
Unauthorized Immigration: 2012-2016



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

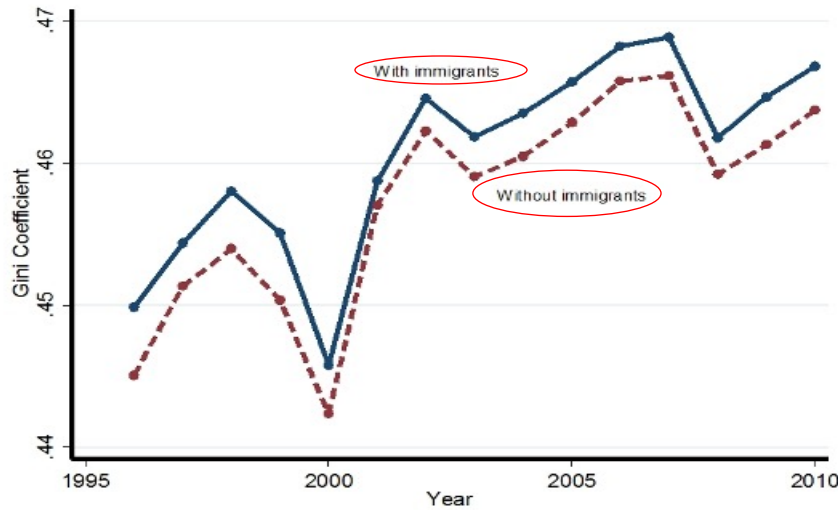
Pattern of Immigration

Educational Attainment of Recent Immigrants – Last 5 Decades



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Immigration and Inequality



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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



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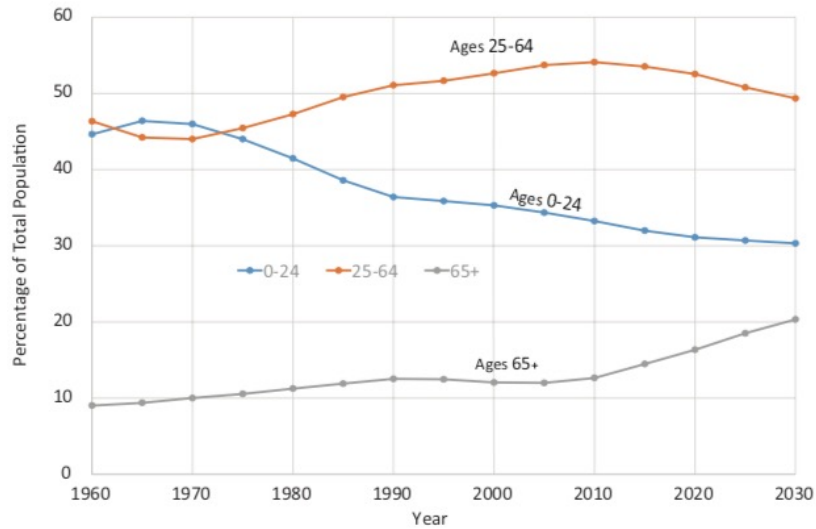
Implications for Major Federal Programs

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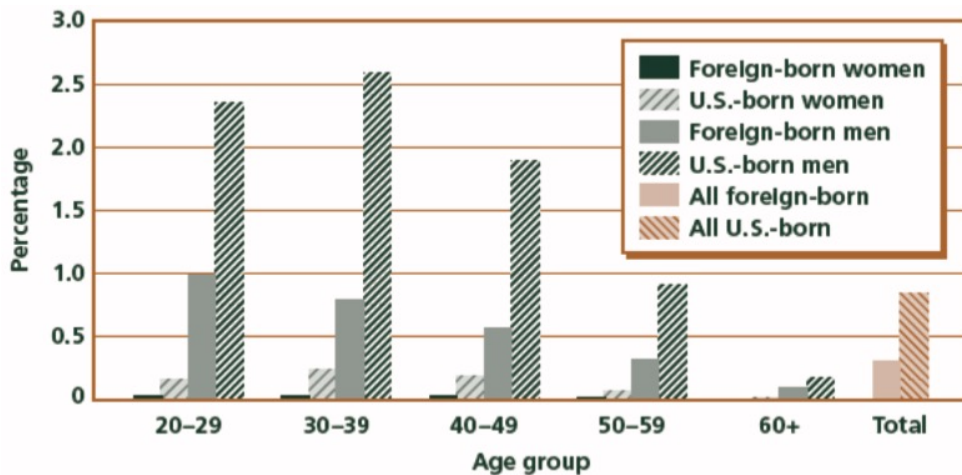
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The Aging US Population



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Crime: Incarceration Rates in California



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