



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

Auburn University
March-April, 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 (3/31): US Economy (Geoffrey Woglom, Amherst College)
- Week 2 (4/7): Minimum Wages (Veronika Dolar, SUNY-Old Westbury)
- Week 3 (4/14): Climate Change Economics (Sarah Jacobson, Williams College)
- **Week 4 (4/21): Economics of Immigration (Roger White, Whittier College)**
- Week 5 (4/28): The Black-White Wealth Gap (Mike Shor, University of Connecticut)
- Week 6 (5/5): Healthcare Economics (Veronika Dolar, SUNY-Old Westbury)

Submitting Questions

- **Please submit questions of clarification in the chat.**
 - I will try to handle them as they come up.
- **We will do a verbal Q&A once the material has been presented.**
- **OLLI allowing, we can stay beyond the end of class to have further discussion.**
- **Slides will be available from the NEED website tomorrow (https://needelegation.org/delivered_presentations.php)**

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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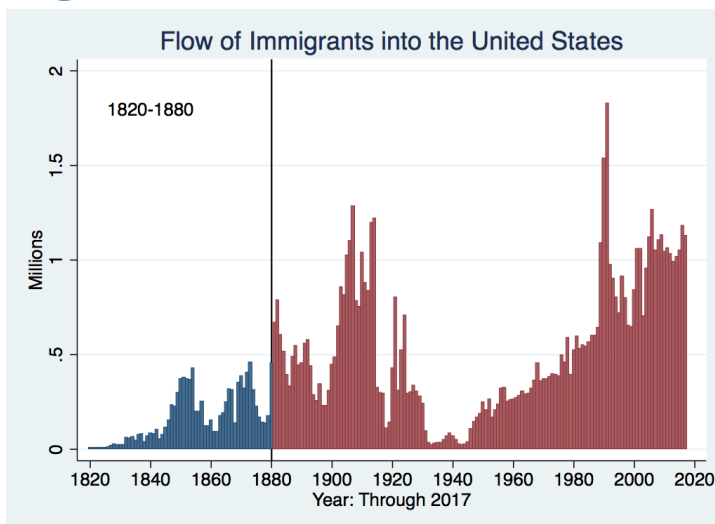
History of US Immigration

Source Countries	Pre-1790
African countries*	300,000
England	300,000
Scotland-Ireland	100,000
Germany	100,000
Scotland	75,000

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

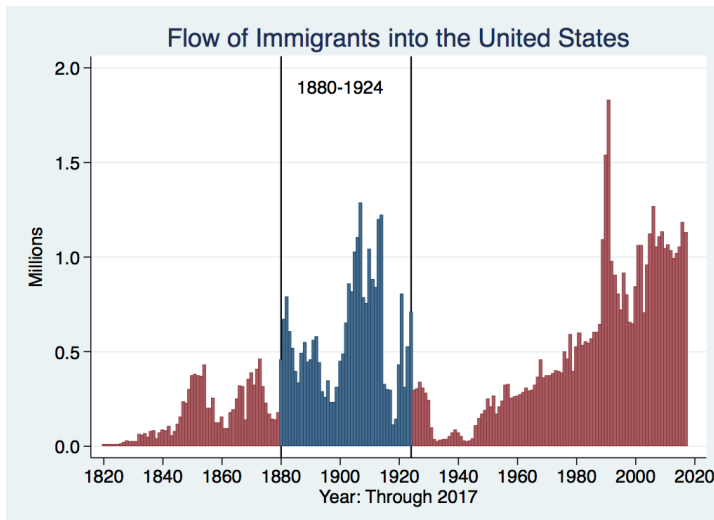
* Slave trade and clearly not voluntary or reflective of standard motivations for immigration.

History of US Immigration



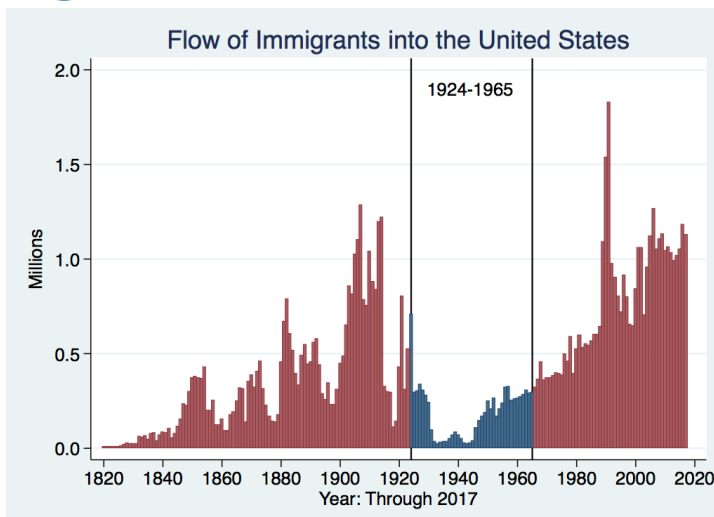
Source Countries	1820-1880
Germany	3,000,000
Ireland	2,800,000
Britain	2,000,000
Austro-Hungarian empire	1,000,000
Canada	750,000
China	230,000
African countries	50,000

History of US Immigration



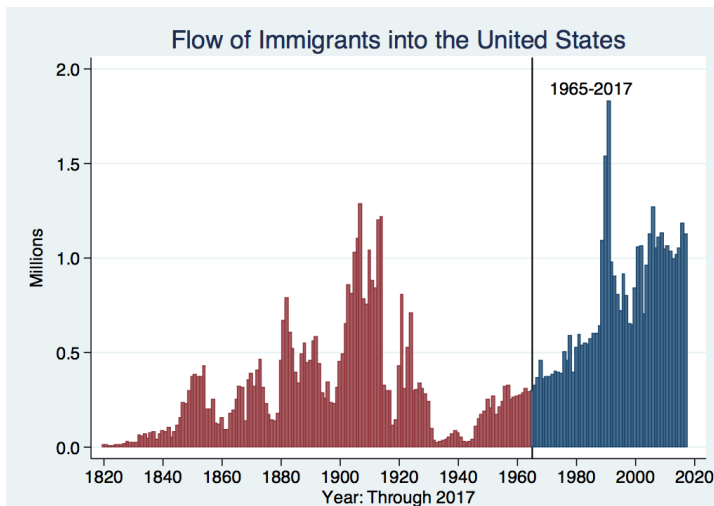
Source Countries	1880-1930
Italy	4,600,000
Austro-Hungarian empire	4,000,000
Russian empire	3,300,000
German empire	2,800,000
Britain	2,300,000
Canada	2,300,000
Ireland	1,700,000

History of US Immigration



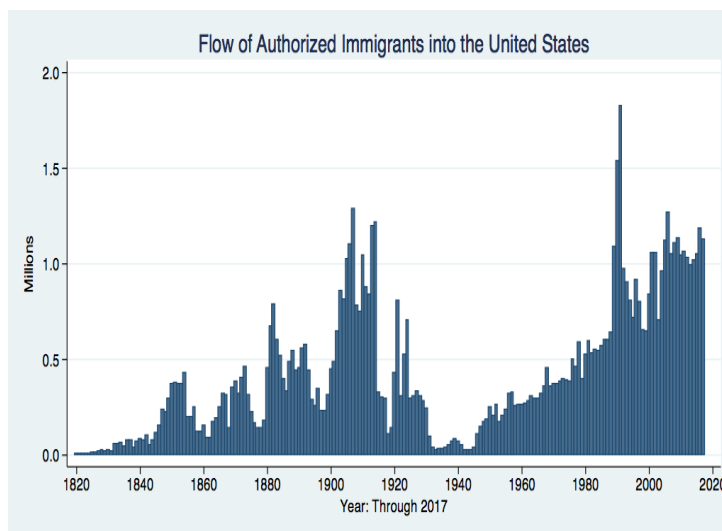
Source Countries	1930-1965
Germany	940,000
Canada	900,000
Mexico	610,000
Britain	480,000
Italy	390,000
Caribbean/ West Indies	310,000

History of US Immigration: 1965-Today

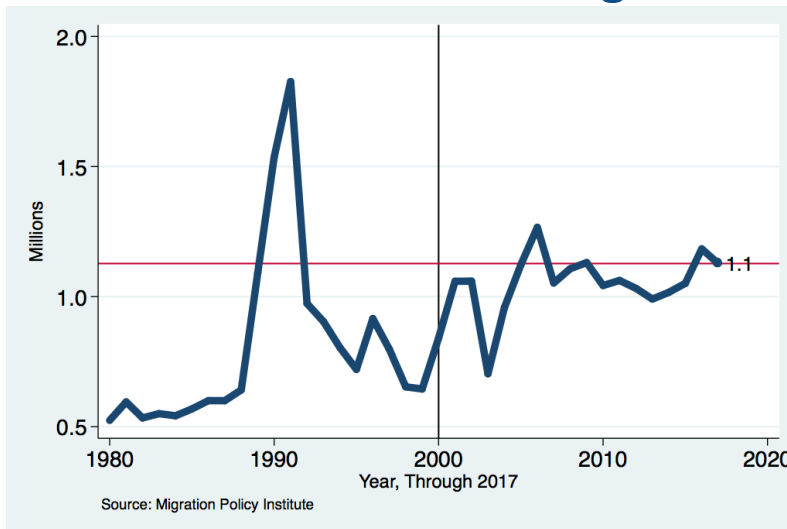


Source Country	1965-2017
Mexico	4,300,000
Philippines	1,400,000
South Korea	760,000
Dominican Republic	750,000
India	740,000
Cuba	700,000
Vietnam	700,000
Canada	650,000

Historical Trends in Authorized Immigration

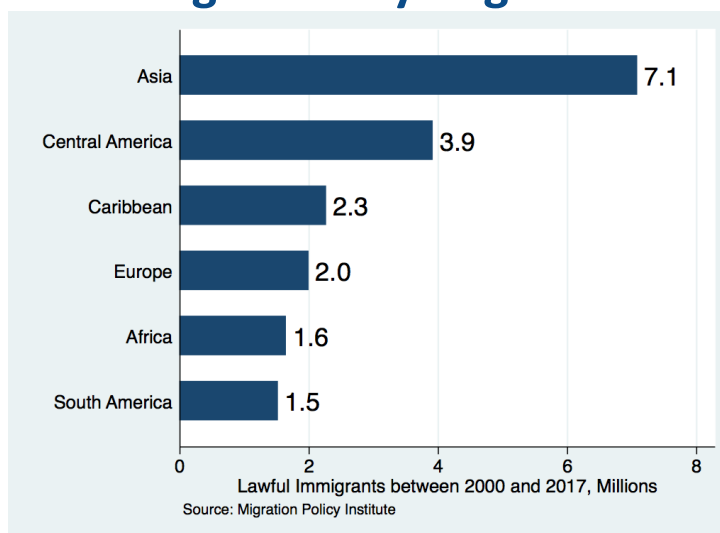


Recent Trends in Authorized Immigration



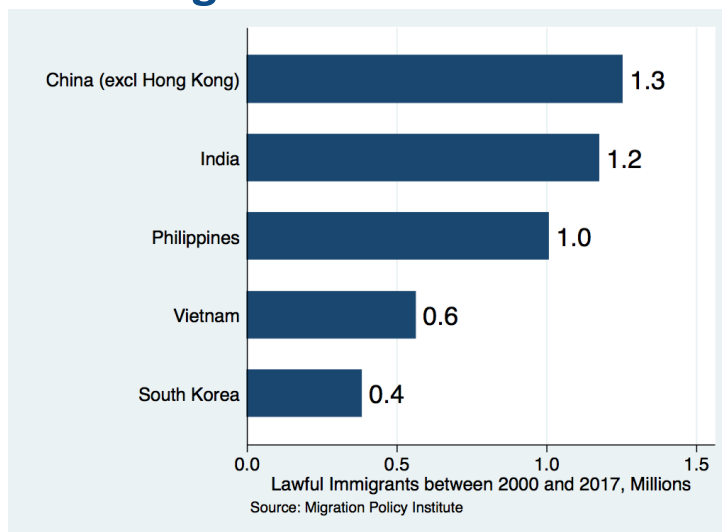
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Authorized Immigration by Region



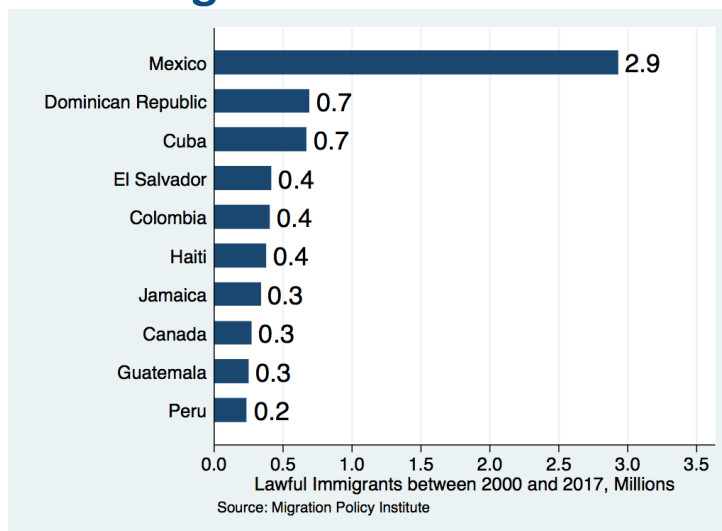
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Authorized Immigration from Asia



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Authorized Immigration from the Americas



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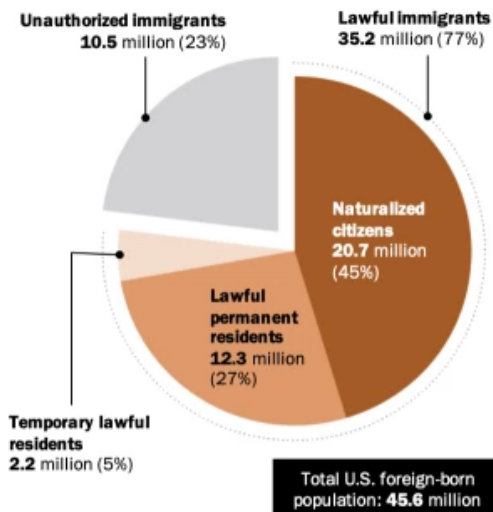
Persons Obtaining Lawful Permanent Residency by Region of Birth, 2017

Region of Birth	Number
Total	1,127,167
Africa	118,824
Asia	424,743
Europe	84,335
North America	413,650
Oceania	5,071
South America	79,076
Unknown	1,468

Immigrant Population in 2017

Foreign-born population estimates, 2017

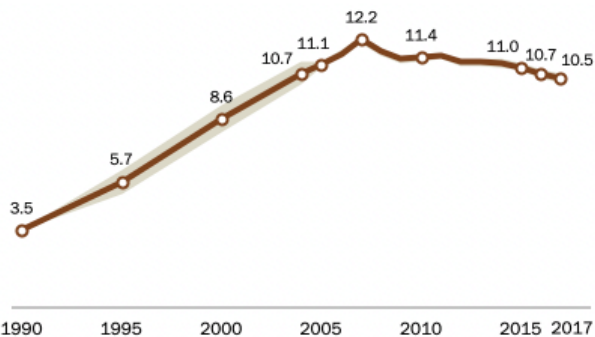
Categories of the total number of immigrants in the United States.



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.

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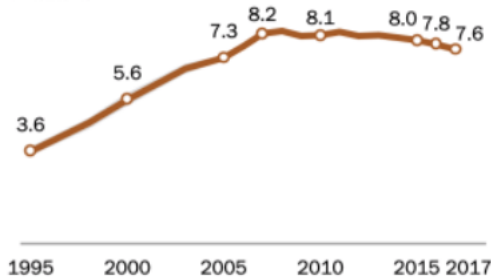
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Pew Research Center, 5 facts about illegal immigration in the U.S., June 12, 2019

U.S. Unauthorized Immigration: Labor Force

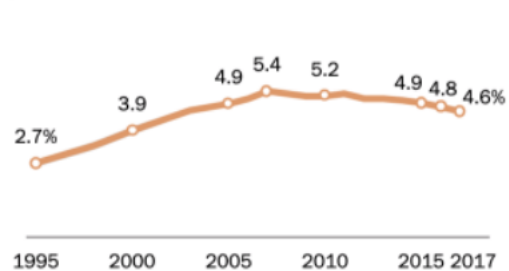
Number of unauthorized immigrants in U.S. workforce ticks down

In millions



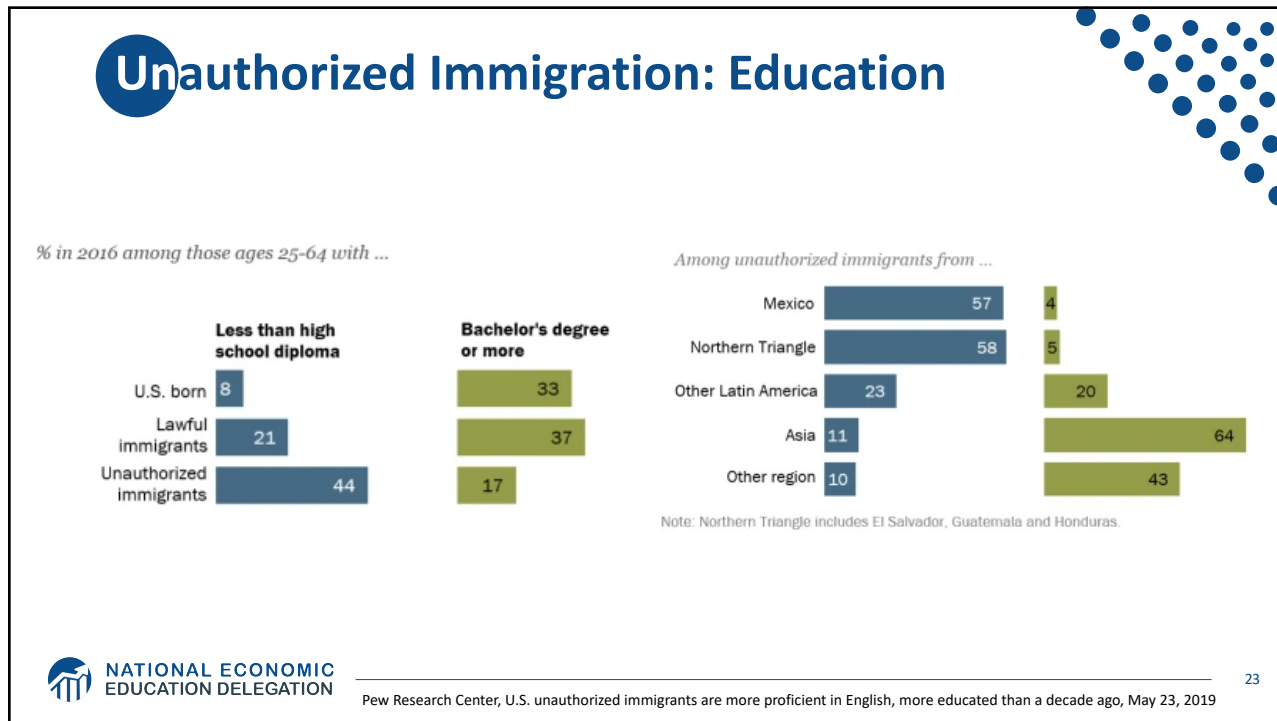
Unauthorized immigrants decline as a share of the U.S. labor force

%



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



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Unauthorized Population: Source Countries

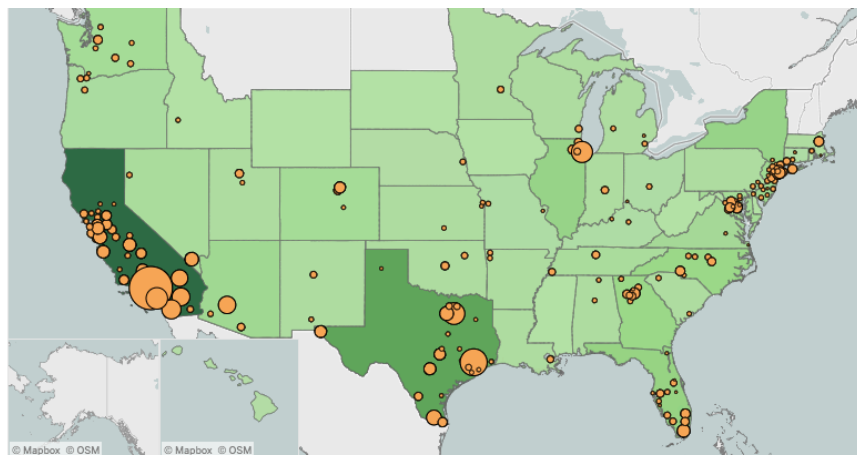
In thousands

	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

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Unauthorized Immigration: 2012-2016



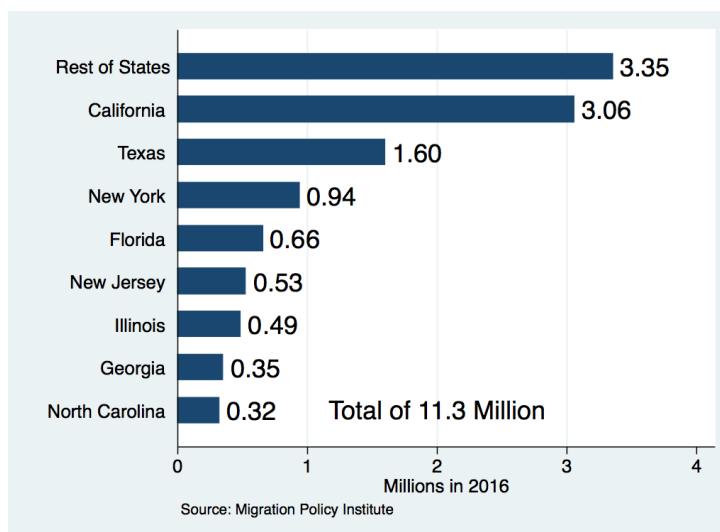
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<https://www.migrationpolicy.org/programs/data-hub/charts/unauthorized-immigrant-populations-country-and-region-top-state-and-county>

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Unauthorized Immigration: Where They Live



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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 Entry w/o Inspection
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.



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Why Do We Care? Economic Implications

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



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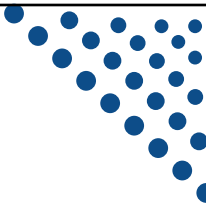


GDP and Labor Markets

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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.



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



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.



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Labor Market Implications: Basic Case

- **Suppose the immigrants have the same skills as the native-born population in a city**
 - Short run: ***workers lose and owners of capital win***
 - Higher ratio of labor to capital.
 - Wages decline, and the returns to capital rise.
 - Long run: ***there are no losers or winners***
 - Capital flows into the city
 - Because the returns are now higher here than elsewhere
 - The original ratio of labor to capital is restored.



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Labor Market Implications: Low-Skill 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.



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Labor Market Implications: General Principles

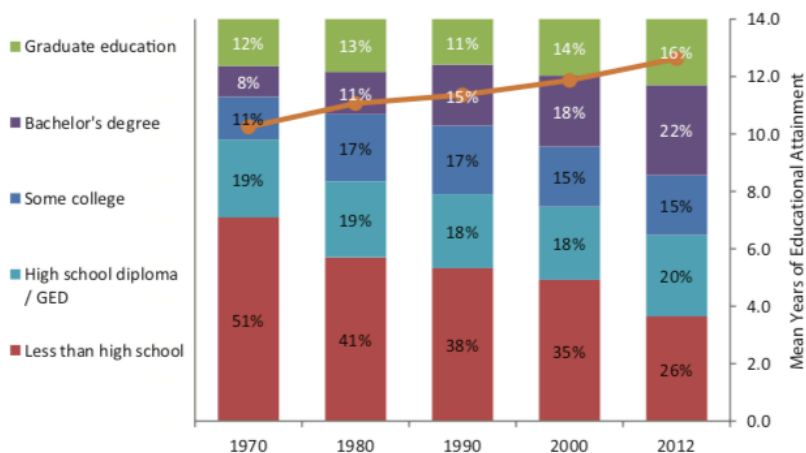
- **Short run**
 - Harm likely to native-born workers who are similar to immigrants.
 - Benefit likely for other workers and owners of capital.
- **Long run**
 - **Lower prices** will restore some of the purchasing power of those harmed.
 - **Expanded opportunities** may restore wages of harmed native-born 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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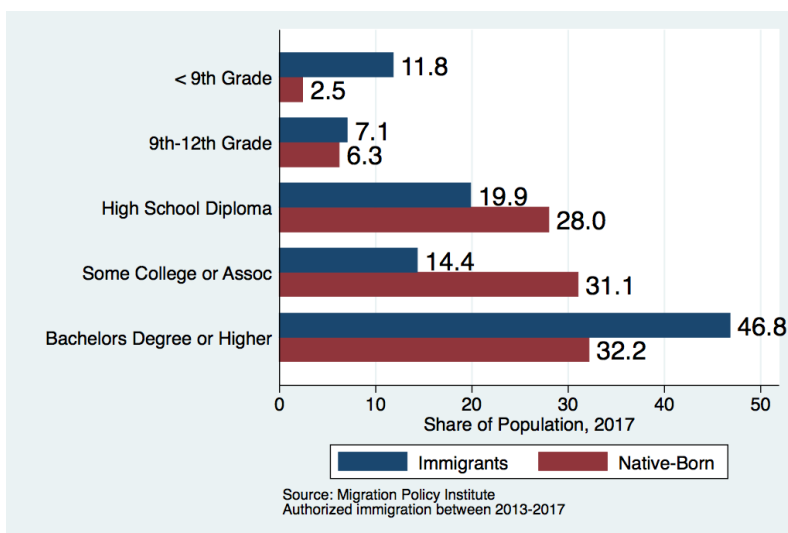
Pattern of Immigration

Educational Attainment of Recent Immigrants – Last 5 Decades



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Recent Immigrants Are Less and More Educated



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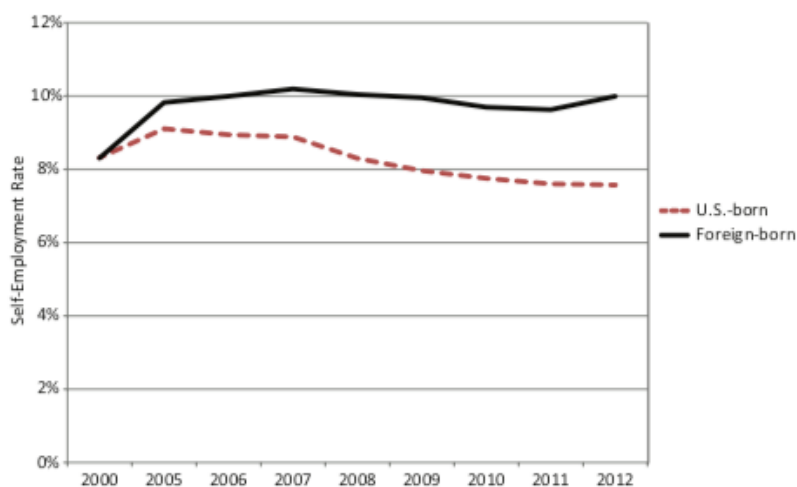
Skilled Immigrants and Innovation

- **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.

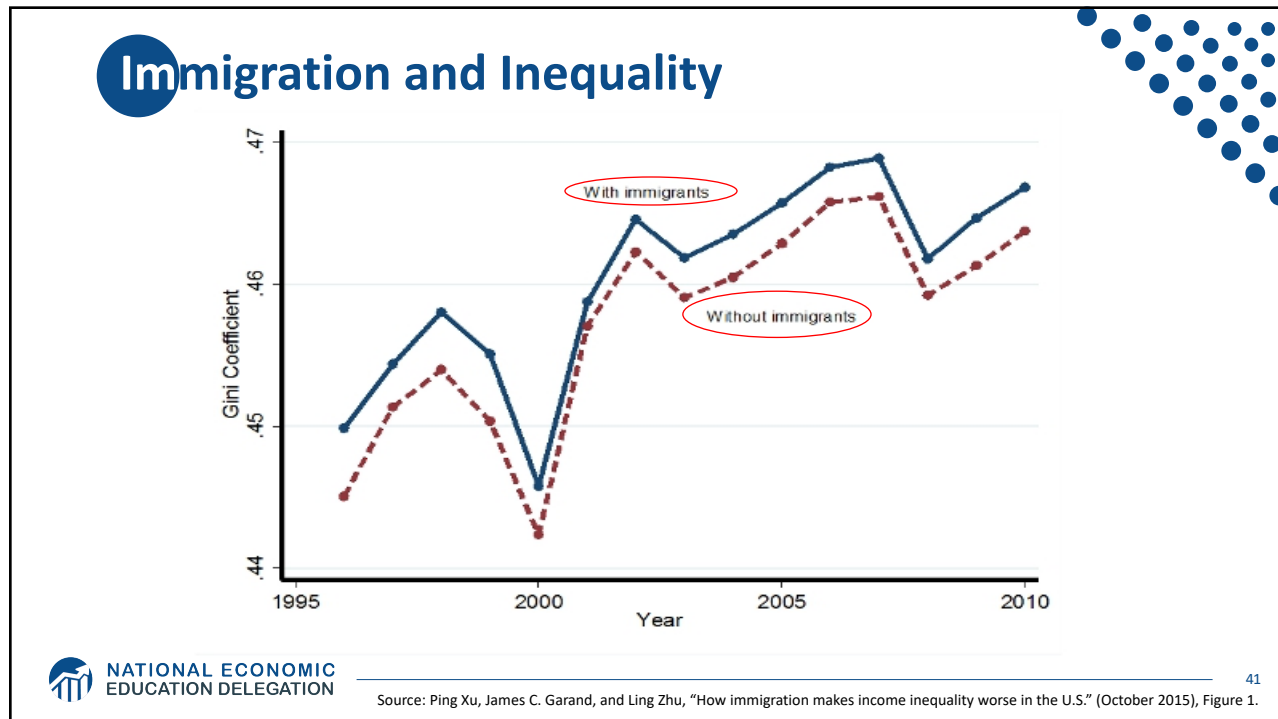
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Immigrants and Entrepreneurship

Self-Employment Rates by Nativity



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Immigration and 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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Government Revenues and Expenditures



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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



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Topics?

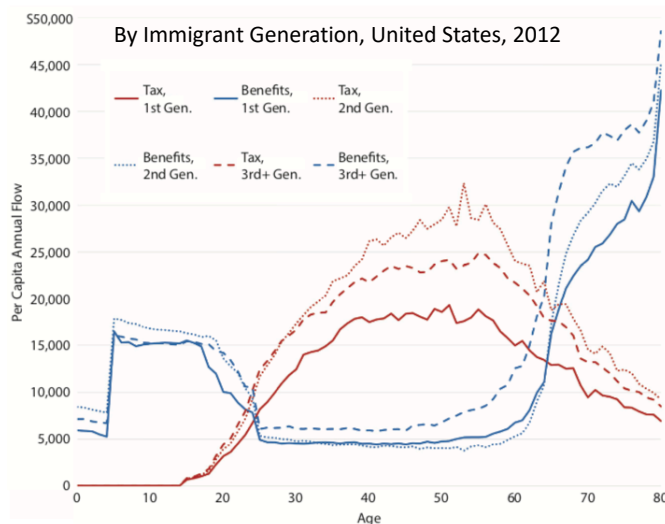
- **Basic Question:**

- 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.
 - o Indirectly through labor and capital markets.
 - o Changes in wages and the return to capital.

Age-Specific Taxes and Benefits



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



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.
- 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.

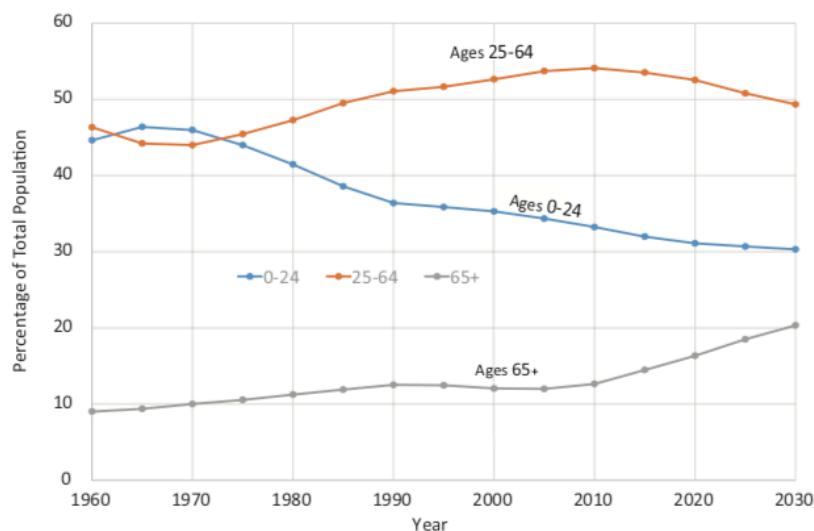


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The Aging US Population

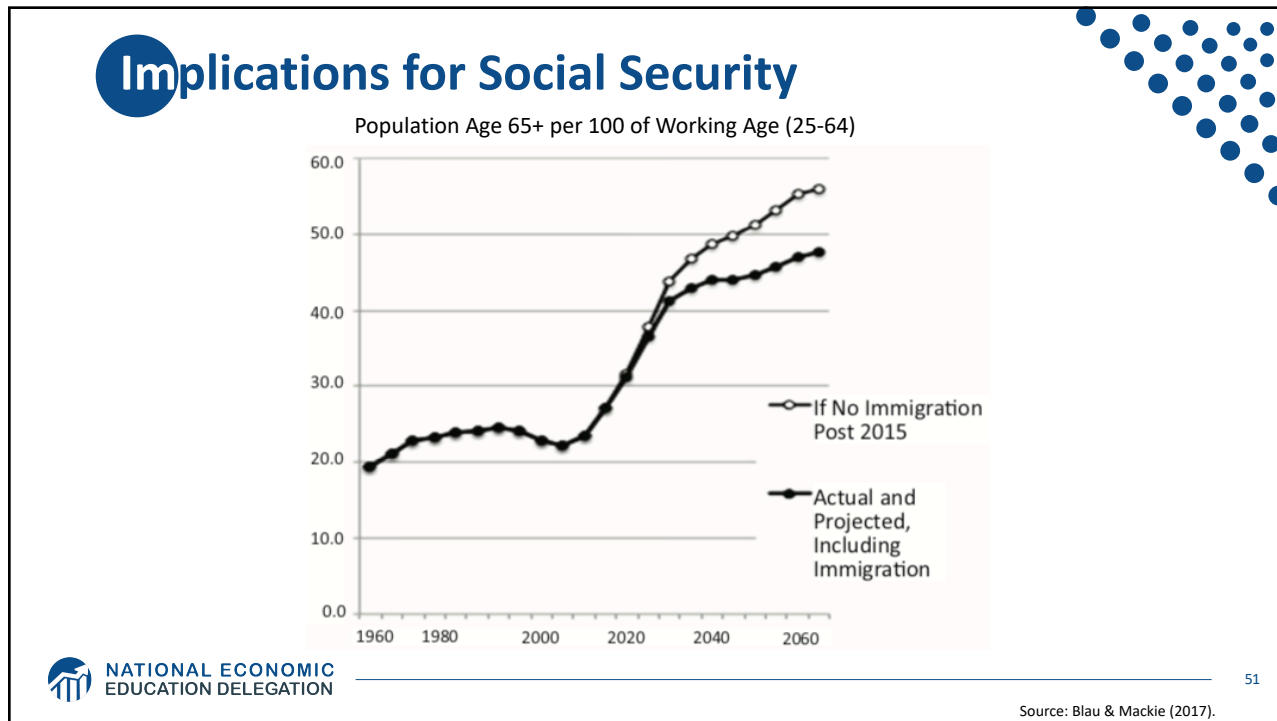


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Source: Blau & Mackie (2017), p. 63.

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Other Implications of Immigration

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Exports and FDI

- **Flows of goods, services, and investments internationally rely heavily:**
 - Information
 - Contacts abroad
- **Immigrants bring both information and networks.**
- **A variety of studies show that increased immigration from a particular country leads to**
 - Increased exports to that country.
 - Increased flows of investment to that country.
- **Migrant networks do indeed complement both trade and FDI.**



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Immigrants and Crime Rates

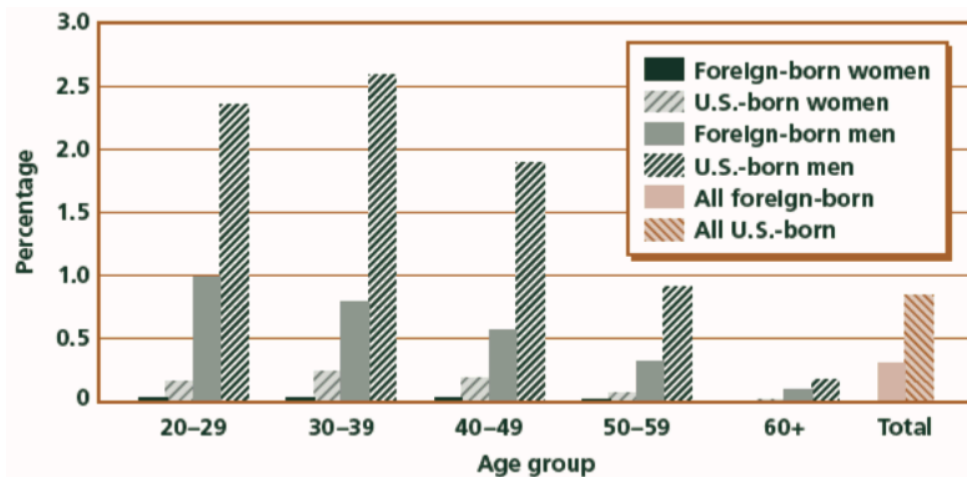
- **Conventional wisdom:**
 - Immigrants commit crimes more frequently than do native-born residents.
 - Rising immigration leads to rising crime.

Let's Have a Look!

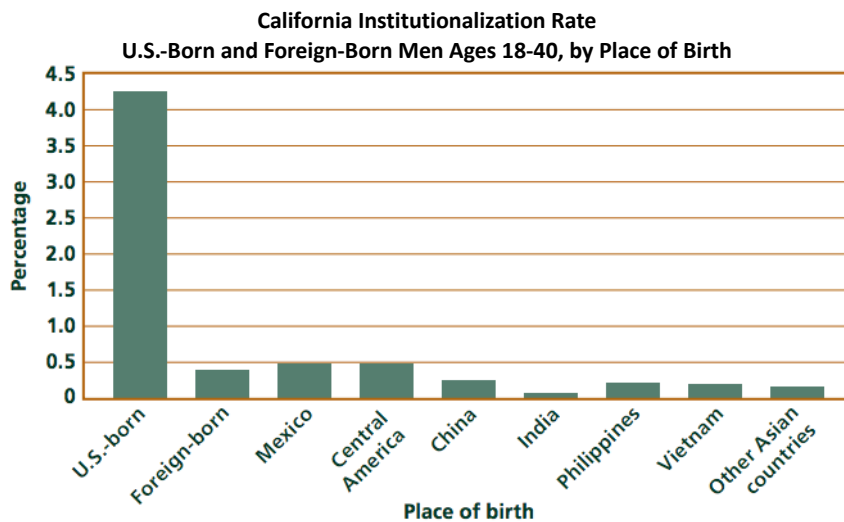


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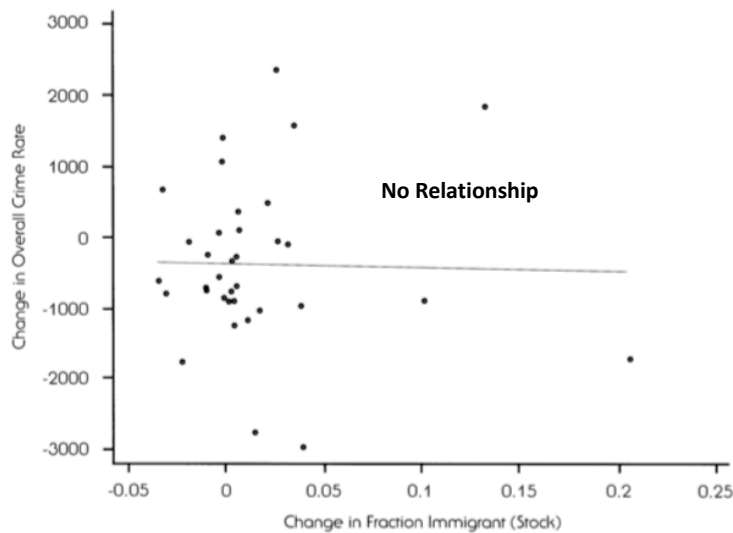
Crime: Incarceration Rates in California



Crime: Incarceration Rates in California



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.



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 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.

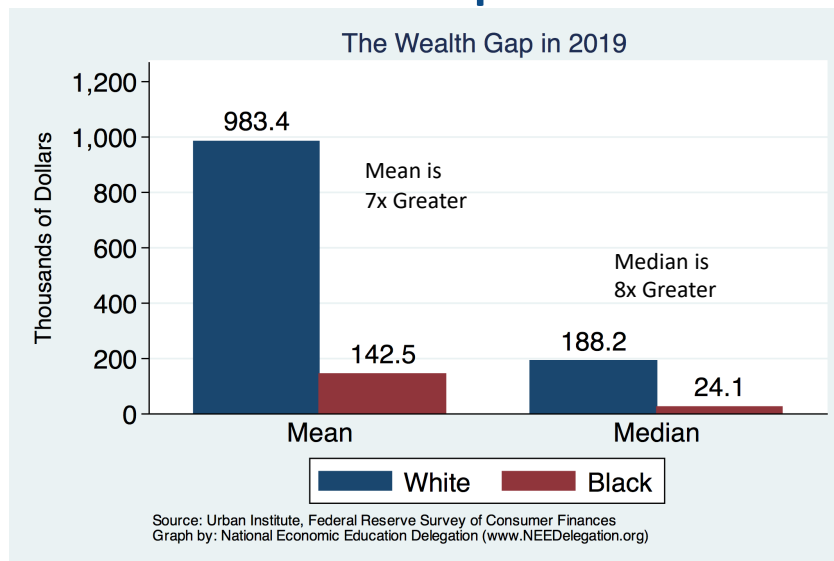


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The Black-White Wealth Gap: Michael Shor



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Thank you!

Any Questions?

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