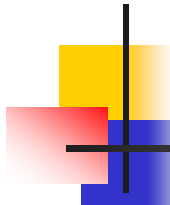




The Economic Consequences of Immigration

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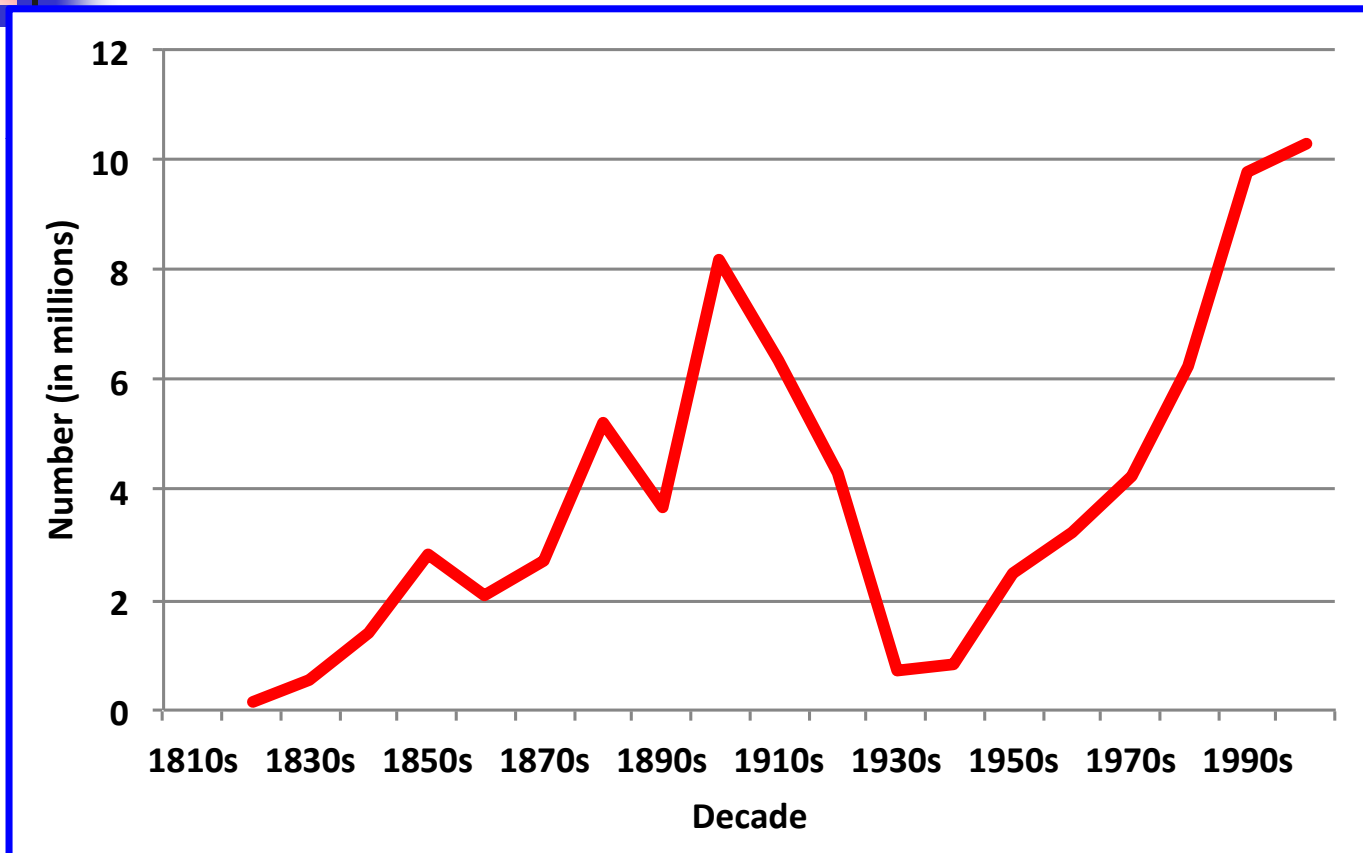
2. Resurgence of large-scale immigration

- Number of immigrants worldwide: 213.9 million in 2010 (3.1% of world's population)
- And 10.3% of population in "more developed regions" are immigrants.

Denmark: 8.8%	Sweden: 14.1%
UK: 10.4%	Portugal 8.6%
Greece: 10.1%	France: 10.7%
Germany: 13.1%	Austria: 15.6%
Canada: 21.3%	Australia: 21.9%
USA: 13.5%	

Source: <http://esa.un.org/MigAge/>

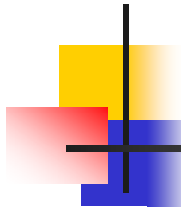
3. Number of *legal* immigrants to US, by decade





4. History of U.S. immigration policy

- Before 1875: No restrictions
- 1875-1924: Increasing number of restrictions. The “excludables” included Asians, convicts, idiots, political radicals, public charges.
- 1924-1965: National origins quota system
- Since 1965: Family preference system



5. Classes of admission

- **Legal immigration, 2001-2010: 10.5 million**
 - Family preference / immediate relatives of U.S. citizens: 6.8 million
 - Employment-based immigrants: 1.6 million
 - Refugees and asylees: 1.3 million
 - Diversity visas (“lottery”): 453 thousand



6. Illegal immigration (DHS estimates)

- **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. 2011:** 11.5 million
- 25% live in California; 16% in Texas; 59% come from Mexico.

Source:

http://www.dhs.gov/xlibrary/assets/statistics/publications/ois_ill_pe_2011.pdf

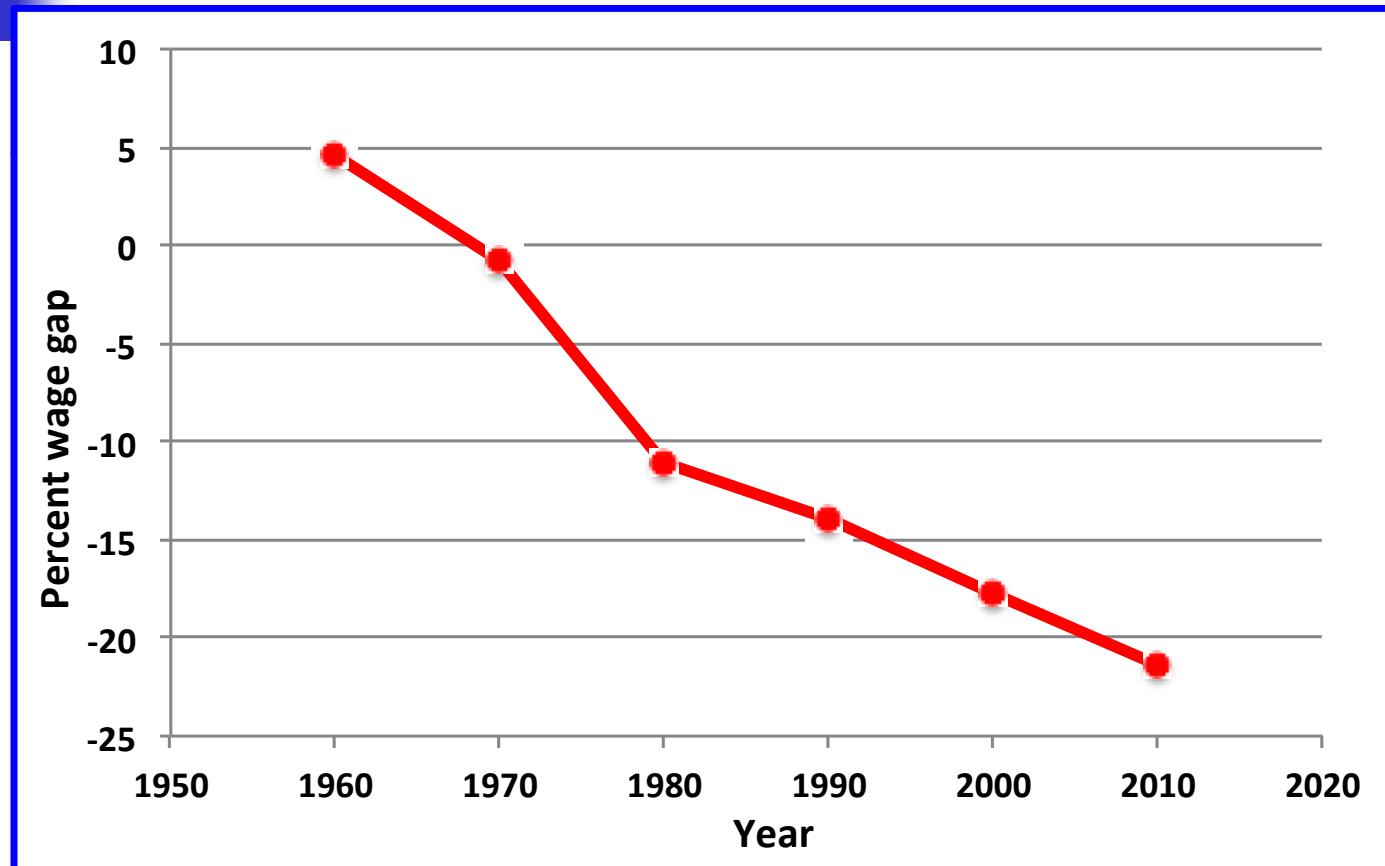


7. Key assumption used in estimating size of illegal population

e. Undercount of unauthorized immigrants in the ACS

The undercount rate for unauthorized immigrants in the ACS was assumed to be 10 percent. This was the same rate used in previous DHS estimates for 2000 and 2005–2010 (U.S. Department of Homeland Security, 2003; Hoefler et al., 2011).

8. Percent wage gap between immigrant and native men (age-adjusted)

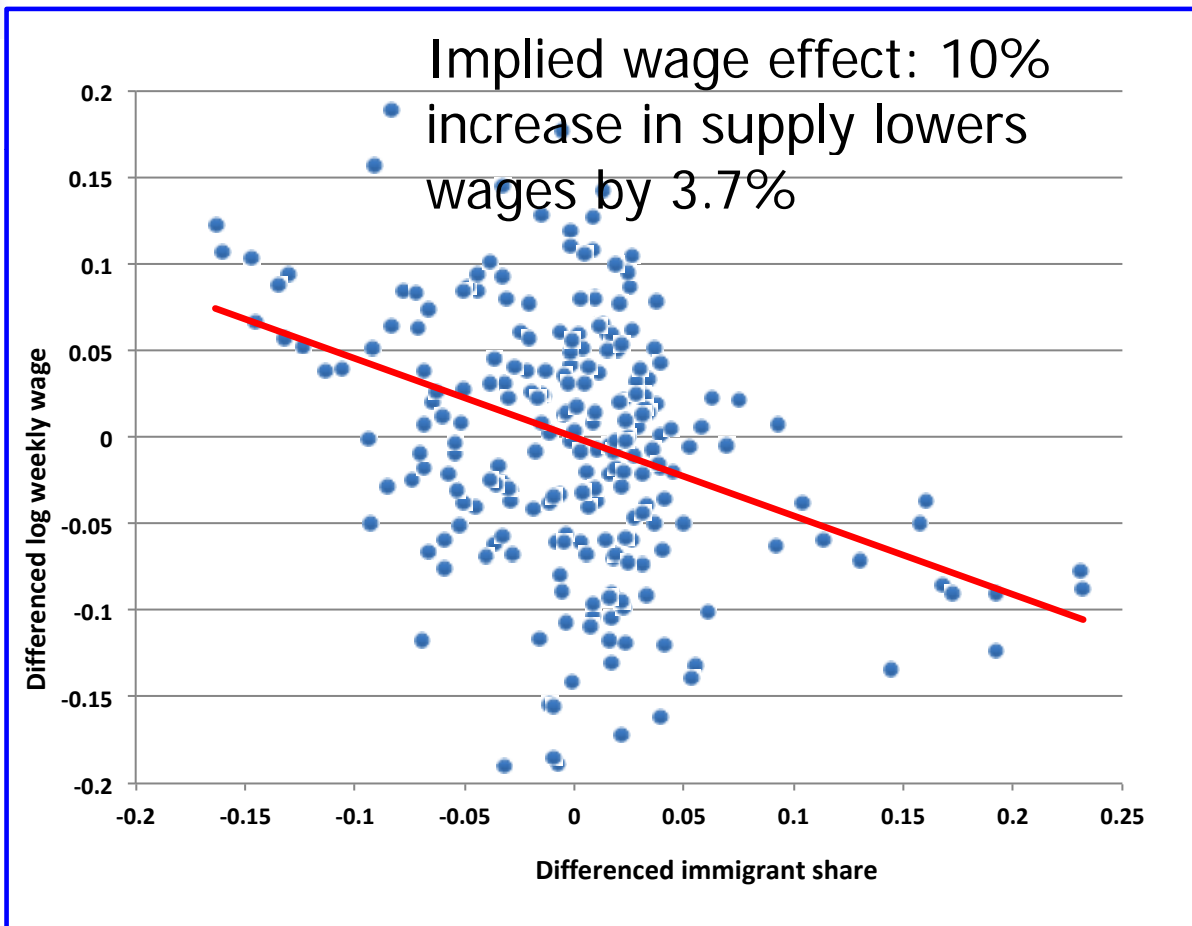




9. An interesting question

- Do immigrants alter the employment opportunities of native workers?
 - “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.”
 - Paul Samuelson, *Economics*, 1964.

10. Scatter diagram relating wages and immigration by skill group, 1960-2010





11. Predicted impact of 1980-2000 immigrant influx (structural analysis)

Education group:	Short run	Long run
All workers	-3.4%	0.0%
High school dropouts	-8.2	-4.8
High school graduates	-2.2	1.2
Some college	-2.7	0.7
College graduates	-3.9	-0.5

Source: Borjas and Katz (2007).

Short run: Capital stock is fixed

Long run: Rental price of capital is fixed



12. Who gains? Who loses?

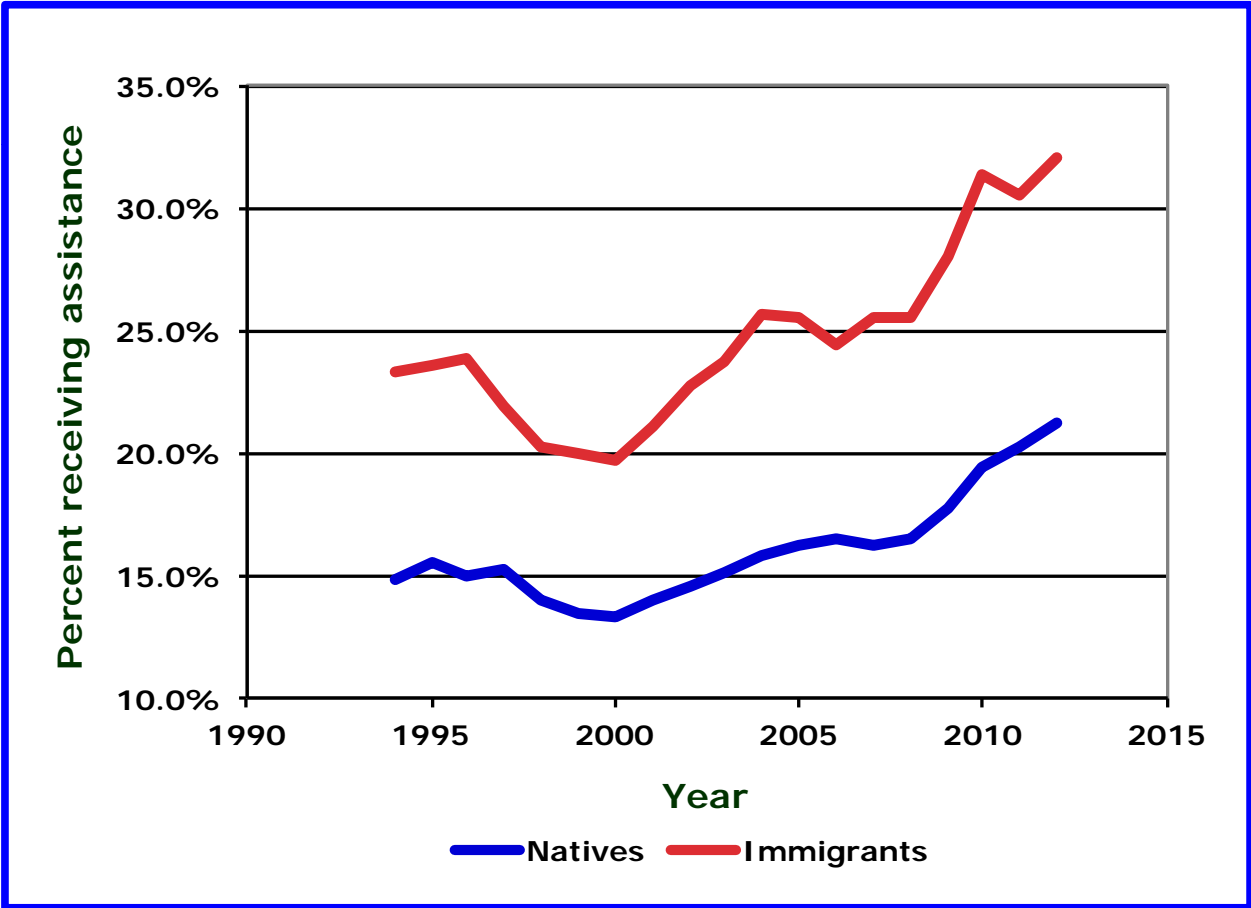
- **Workers lose:** 2.8 percent of GDP, or \$400 billion.
- **Employers gain:** 3.0 percent of GDP, or \$430 billion.
- Net gain is about \$30 billion annually, about \$110 per native-born person.
- Distributive conflict is at the core of immigration.

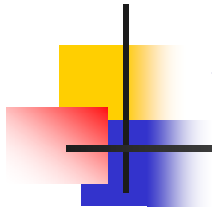


13. "Public charge" restrictions

- First restrictions: Massachusetts, 1645 and 1655; New York, 1691, sets up a bonding system
- 1876: Supreme Court overthrows state regulations.
- 1882: Congress bans entry of "any persons unable to take care of himself or herself without becoming a public charge."
- 1903: Congress approves deportation of immigrants who become public charges within two years after arrival "for causes existing prior to their landing."

14. Trends in percent of households receiving assistance (cash assistance, food stamps, or Medicaid)





15. Immigration policy

- So: what do all these empirical findings imply about U.S. immigration policy?
- **Nothing at all!!!**



16. What is immigration policy?

- Immigration policies have two components:
 - How many immigrants should the host country admit?
 - Which immigrants should the host country admit?
- The point system
- Questions “we” need to address:
 - What do we want to accomplish from immigration policy?
 - Whose well-being do we want to maximize?