

# Recent Trends

- ▣ Fewer Years of Schooling than Natives
- ▣ Wage gap between Immigrants and Natives Widening
- ▣ Unlike previous times wage gap does not seem to be narrowing over time
- ▣ New Immigrants are more likely to receive government assistance
- ▣ Higher correlation between skills of immigrants and their American born children

# Economics of Immigration

- ▣ Core question: What is US trying to accomplish with Immigration Policy?
- ▣ Secondary Question: Whose interests should be served?
- ▣ Focus of economists tends to be on economic well being.
- ▣ Current immigration policy does not emphasize economic well being.

# Three Interest Groups

Native Population

Immigrants

People who remain in other countries

# Immigrant Interest

- ▣ Almost always better off
- ▣ If not will return
- ▣ Current reductions in immigration due to recession

# Interest of People who Remain in Other Country

- ▣ Slower economics growth: resource drain
  - Labor
  - Skills (brain drain)
  - Entrepreneurship
- ▣ More efficient use of world resources increases world economic growth
- ▣ Raises wages in source country

# Interest of Native Population

## ▣ Two Dimensions

- Per Capita Income (size of the pie)
- Distribution of Income (distribution of pie)

# Per Capita Impact

- ▣ Labor and its associated human capital is just like any other resource.
- ▣ Allowing resources to pursue highest return generates higher GDP growth rates (productive efficiency).
- ▣ Same argument as that for free trade.
- ▣ Same analysis of winners and losers as in free trade argument.

# Distribution Winners

- ▣ Consumers of imported goods
- ▣ Purchasers of immigrant labor and users of associated production
  - Business
  - Consumers of household services provided by immigrant labor.



# Distribution Losers

- ▣ Domestic Supplier of Good
- ▣ Domestic Labor
  - Currently 15% of labor force is non-native
  - Labor econ uses general rule that 10% change in labor causes a 3% change in income (e value of .3)
  - Different impacts in different labor markets.
  - George Borjas estimates loss of \$375 billion in 2009.
- ▣ Budget Burden on Government Services
- ▣ Distribution of income away from labor and towards capital
  - Particularly true for lower skilled labor

# Dropping All Other Things Constant

- ▣ Unskilled (no high school diploma) Labor in Los Angeles (high levels of illegal immigration)
  - Wages drop 17% 1980 to 2004
- ▣ Unskilled Labor in Ohio (Low levels of illegal immigration)
  - Wages drop 31% 1980 to 2004
- ▣ Possible Explanations
  - Demand higher for unskilled labor when labor pool is larger