

Econ 340

Lecture 10 Migration

Outline: Migration

- Why People Migrate
- Why Wages Differ across Countries
- Effects of Migration
 - On Payments to Factors
 - Labor
 - Other
 - Other Effects
- Policies to Affect Migration
- Facts about Migration

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Why People Migrate

- Main Reason for Migration: Better Wages
- Other Reasons
 - Better living conditions
 - Freedom/Persecution
 - Climate

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Why Wages Differ across Countries

(These are mostly the same reasons we've seen before, for why countries trade)

- Relative Factor Endowments
 - Of labor relative to other factors, such as land, capital, natural resources
 - Countries that have an abundance of these other factors tend to have
 - High demand for labor, and thus
 - High wage
 - They are likely to attract migration

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Why Wages Differ across Countries

- Differences in Technology
 - Advanced technology makes labor more productive
 - Causes higher wages, and attracts migration

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Why Wages Differ across Countries

- Other causes for a country to have high wages
 - Infrastructure
 - Competitive and efficient markets
 - Strong institutions (“Intangible wealth”)
 - trust among people in a society
 - an efficient judicial system
 - clear property rights
 - effective government

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Why Wages Differ across Countries

- Labor Unions?
Do these contribute to high wages and thus attract migration?
 - This cuts both ways:
 - Labor unions do seek to increase wages and improve working conditions for their members
 - But one way to do that is to keep out migrant labor

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Effects of Migration

(See Deardorff "Migration")

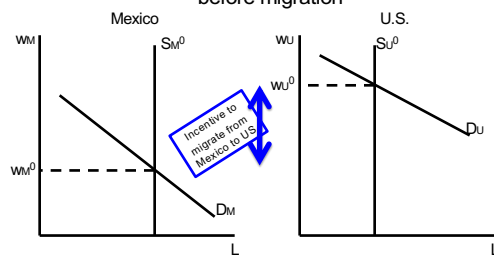
- Look at supply and demand
 - In two countries with different wages
 - What happens when labor migrates?

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Effects of Migration

Labor markets in two countries
before migration

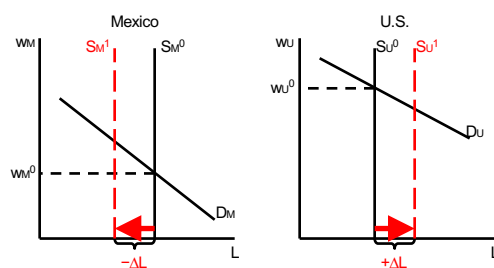


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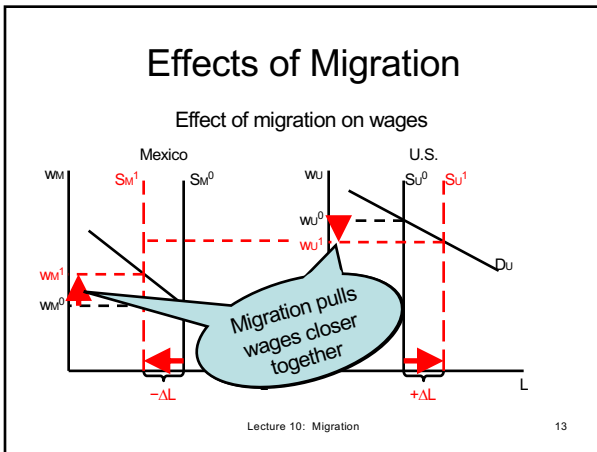
Effects of Migration

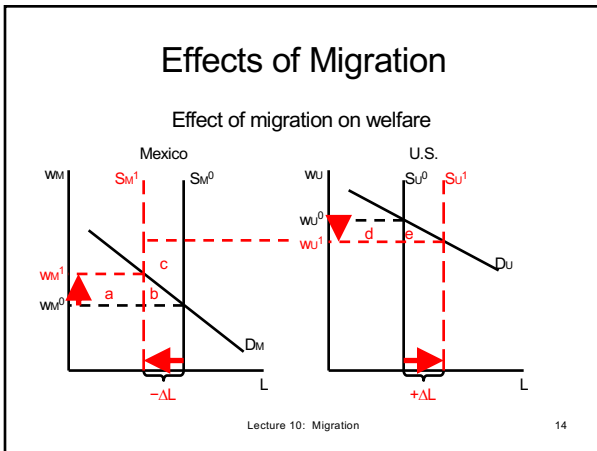
Effect of migration on labor supplies

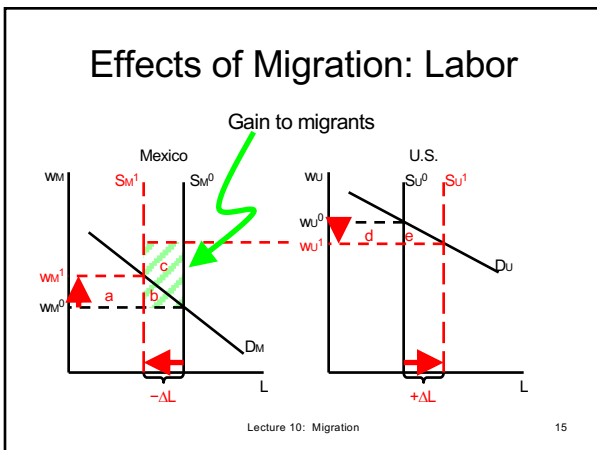


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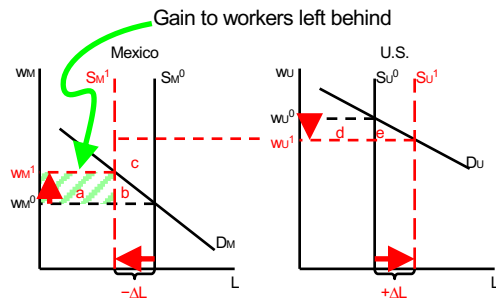
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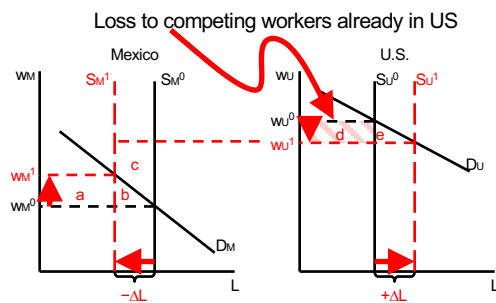
Effects of Migration: Labor



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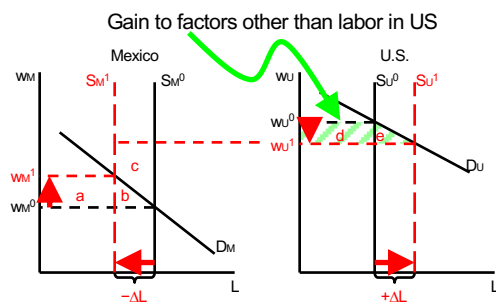
Effects of Migration: Labor



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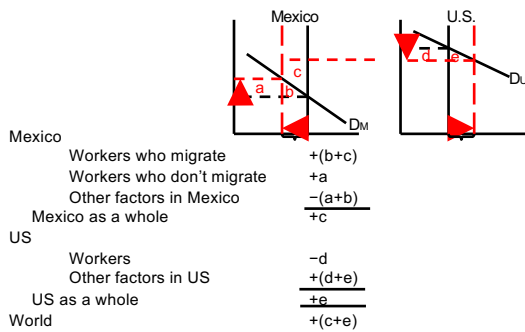
Effects of Migration: Other



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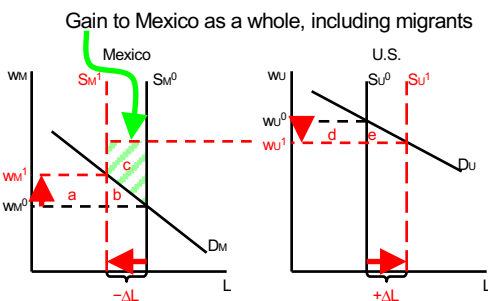
Effects of Migration: All



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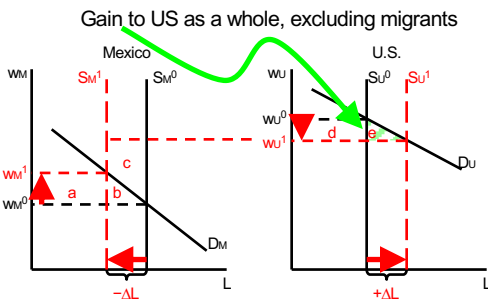
Effects of Migration: Mexico



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Effects of Migration: US



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Effects of Migration

- Losers from migration
 - In country of emigration: owners of factors other than labor
 - Their productivity and incomes are reduced by having less labor to work with
 - In the country of immigration: workers
 - They compete with the incoming workers and their wage falls
- Note that there are different kinds of labor. Only those most similar to the immigrants lose.
- These tend to be unskilled workers in the most common cases

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Effects of Migration

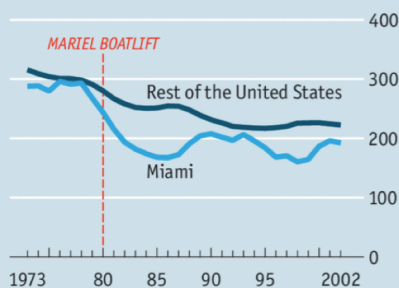
- Example: The Mariel boatlift of April 1980
 - See Economist, "Immigration Economics: The Wages of Mariel"
 - 125,000 Cubans migrated to Miami, adding 8% to its workforce
 - Economists have studied this as a "natural experiment"
 - David Card in 1990 found no effect for bottom quarter of workers
 - George Borjas in 2016 found substantial lowering of wage of unskilled workers (high-school dropouts)

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Sinking

Weekly earnings* of high-school dropouts
United States, men aged 25-59, 2014 \$



Source: George Borjas

*Three-year moving average

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Effects of Migration

- Wages versus other effects
 - So far I have stressed effects only on wages
 - Economist “Progressive Case for Immigration”
 - Notes that focus on wage effects misses much that is more important
 - See below for some additional effects
 - But the effect on wages of the migrants themselves is huge:

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Source: Economist (2017)

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Effects of Migration

- Other effects, not in this simple model
 - Migrants
 - Pay taxes
 - Use government services
 - Which is larger? There is debate on this
 - Griswold cites study saying
 - Typical immigrants and their offspring will pay \$80,000 more in taxes than they will collect in government services during their lifetimes

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Effects of Migration

- Other effects, not in this simple model
 - Migration changes population density; may cause congestion
 - Eldredge blames immigration for “overcrowded schools, congested highways, deteriorating ecology and lagging infrastructure”
 - Diversity: presence of immigrants adds
 - Cultural enrichment
 - Cultural (ethnic) frictions
 - Xenophobia (fear or dislike of “others”)

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Effects of Migration

- Other effects, not in this simple model
 - Many migrants carry wealth with them out of their country of origin
 - Financial
 - Human capital
 - Raising concern about a “brain drain”
 - But see Economics Focus
 - » Possibility of emigration provides incentive to acquire more education
 - » Leads to more education even at home

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Effects of Migration

- Other effects, not in this simple model
 - Many migrants send money back to their country of origin
 - Such "remittances" provide important income for poor countries

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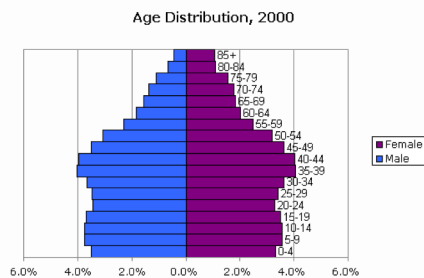
Effects of Migration

- Other effects, not in this simple model
 - Demographic effects
 - Immigrants tend to be young and have large families
 - This provides a larger young generation, whose earnings can support the elderly
 - Aging population is less of a problem for the US than for Europe and Japan, because of immigration

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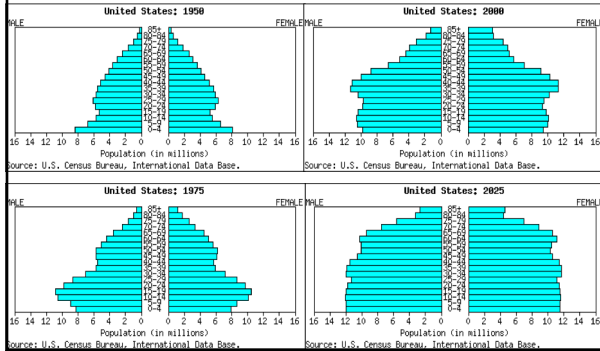
Population Pyramid: US



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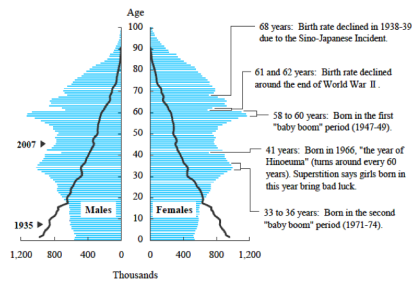
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Population Pyramid: US



Population Pyramid: Japan

Figure 2.1
Population Pyramid



Source: Statistics Bureau, MIC.

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Policies to Affect Migration

- Immigration Quotas, based on
 1. Race
 2. Country of origin
 - US used to limit or ban immigrants from most of Asia, eastern & southern Europe, and Africa (see Porter)
 3. Income, wealth, skill
 4. Family connections
- US has recently debated switch from #4 to #3

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Policies to Affect Migration

- “Guest worker” Programs
 - Permit workers to enter temporarily to fill a labor-market need
 - Hard to enforce “temporary”

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Policies to Affect Migration

- Trade Policies
 - Recall Factor Price Equalization
 - If this works, it reduces the incentive for migration
 - This was one motive for NAFTA: raise wages in Mexico so that fewer will try to enter the US
 - As we'll see later, Mexican wages did not rise
 - Mexico-US migration fell anyway, for other reasons

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Policies to Affect Migration

- Encourage high-income immigration
 - Provide larger quotas for workers likely to earn high incomes
 - Deny welfare benefits to recent immigrants, so poor won't be tempted to come

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Policies to Affect Migration

- Control the border
 - Make it hard for illegal immigrants to enter
 - But note the costs of doing this (See Skerry and Rockwell)
 - Encourages organized crime to smuggle migrants
 - These make life worse for the migrants

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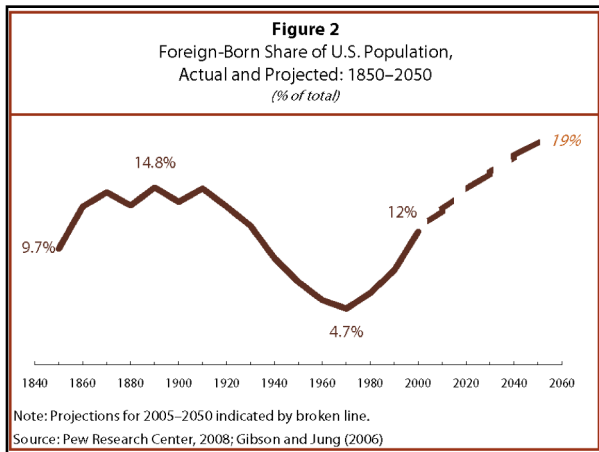
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Facts about US Immigration

- Hostility toward immigrant groups often exists, but it fades over time
- Recall the hostility once felt in the U.S. toward
 - Irish
 - Southern Europeans (Italians, Greeks)
 - Asians (“coolie labor”)
- Hispanics are likely to follow the same path

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Facts about US Immigration

- But see also Borjas:
 - Compared to 1970, today’s immigration is much higher
 - Foreign-born share of US population
 - 1970: 4.7%
 - 2003: 12.7%
 - And he argues that today’s immigrants will take longer to assimilate than earlier ones
 - lower incomes and levels of education
 - the decline of manufacturing to employ them
 - the fact that they are less diverse ethnically
 - policies and attitudes of society

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Facts about US Immigration

- Borjas is also cited among others by Porter ("Can Immigration Hurt the Economy?: An Old Prejudice Returns")
 - Immigrants from other cultures "bring their culture with them"
 - They are less productive than earlier immigrants
- Porter argues against these views
 - Many studies show they increase productivity and output
 - The critics' arguments lack empirical support

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Facts about US Immigration

- 2007 US Immigration Bill
 - Pushed by Bush, McCain, favored by many Democrats
 - Defeated in Congress June 2007
 - Would have
 - Provided legal status (& eventually citizenship) for illegal immigrants
 - Increased border enforcement to reduce future illegal immigration

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Facts about US Immigration

- The Wall
 - We had, before Trump, built a wall along parts of the US-Mexico the border
 - Problems:
 - Rivers, etc.
 - Wall is often not on actual border, but inside it, cutting properties in two
 - Wildlife movement

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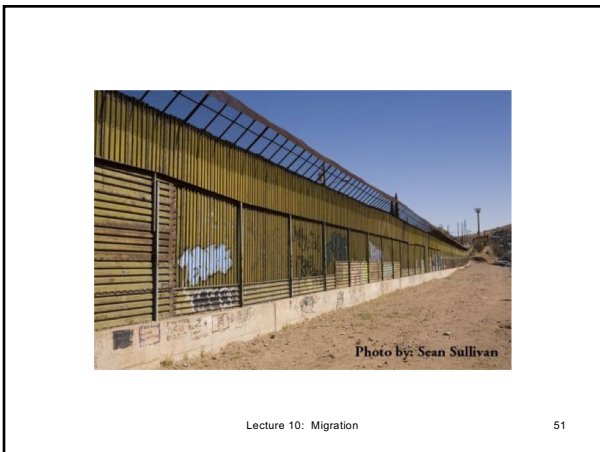
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DHS chief marks first section of Trump's border wall. (But it kinda looks like a fence.)

At an event in southern California, Kirstjen Nielsen put up a plaque with the president's name.



Facts about World Migration

- See Donnan (from 2014, before the surge of refugees from Syria)
 - Number of migrants was higher than ever, but not as share of population
 - About 3% of global population lived outside their country of birth
 - Greatest migrations today are inside countries (China)
 - Budgetary cost of new migrants, while probably positive, is generally small

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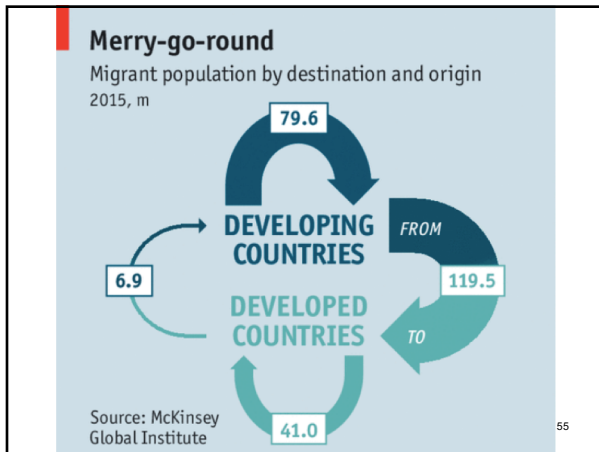
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Facts about World Migration

- See Economist "From South to South"
 - Not all migration is from developing to developed countries
 - Much migration takes place from very poor developing countries to others that are just somewhat less poor
 - Why don't they go to developed countries?
 - Often they can't afford the trip
 - Less poor neighbors may be ones they can reach by bus or by walking

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Facts about US Immigration

- The Future?
 - President Trump has already tried to take several actions
 - To build the wall
 - To stop immigration from certain countries

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Next Time

- International Movements of Capital
 - Multinational Corporations
 - Foreign Direct Investment

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