



Immigration and Economics

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Resurgence of large-scale immigration

- Almost 3% of world's population—and 9.5% of population in “more developed countries”—lives in a country where they were not born.

Denmark: 7.2%

Sweden: 12.4%

UK: 9.1%

Portugal 7.3%

Greece: 8.8%

France: 10.7%

Germany: 12.3%

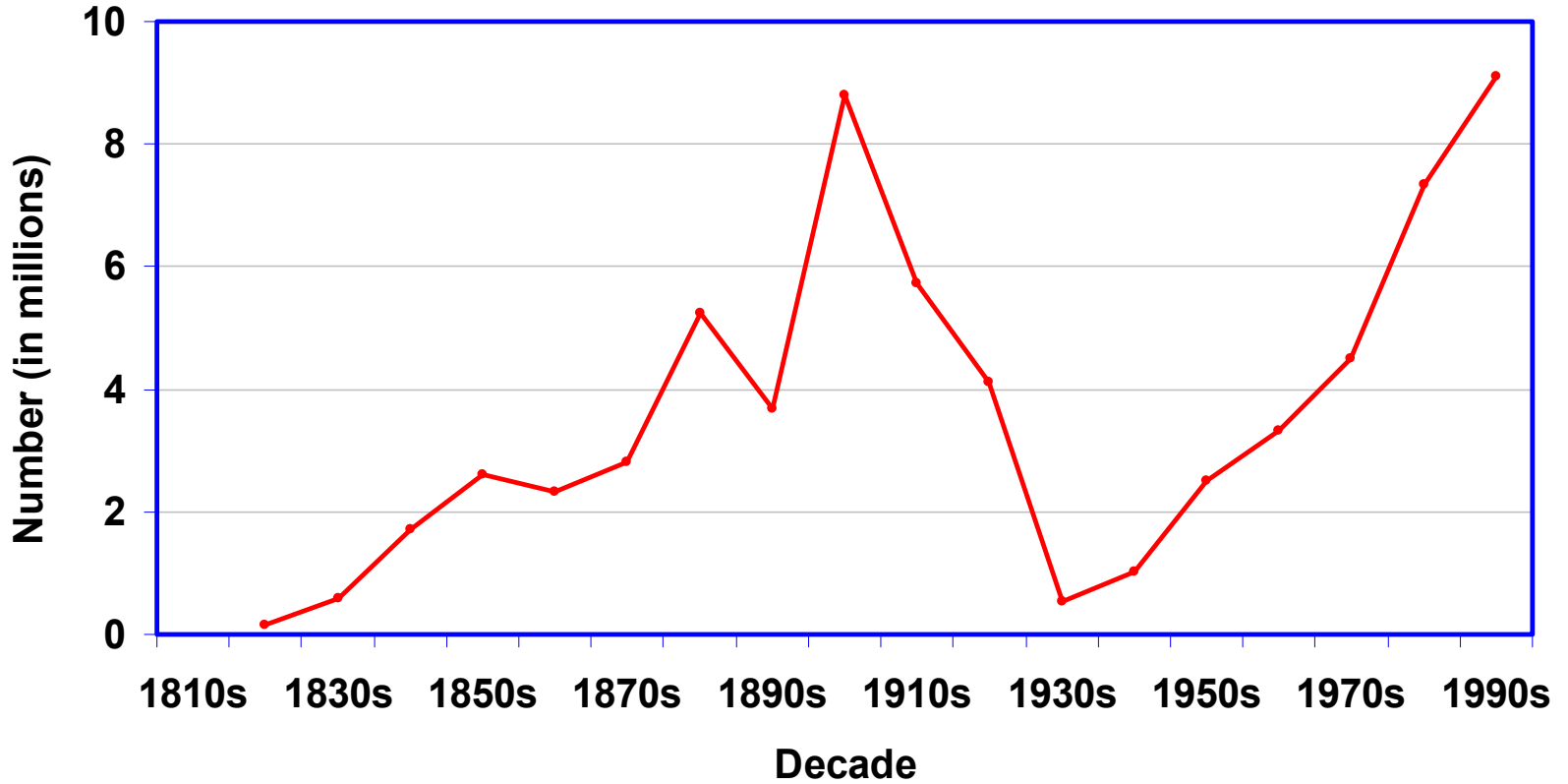
Austria: 15.1%

Canada: 18.9%

Australia: 20.3%

US: 12.9%

Number of *legal* immigrants admitted to US, by decade





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



Classes of admission

- **Legal immigration, 2001-2004: 3.8 million**
 - Family preference / immediate relatives of U.S. citizens: 2.5 million
 - Employment-based immigrants: 592 thousand
 - Refugees and asylees: 351 thousand
 - Diversity visas: 181 thousand

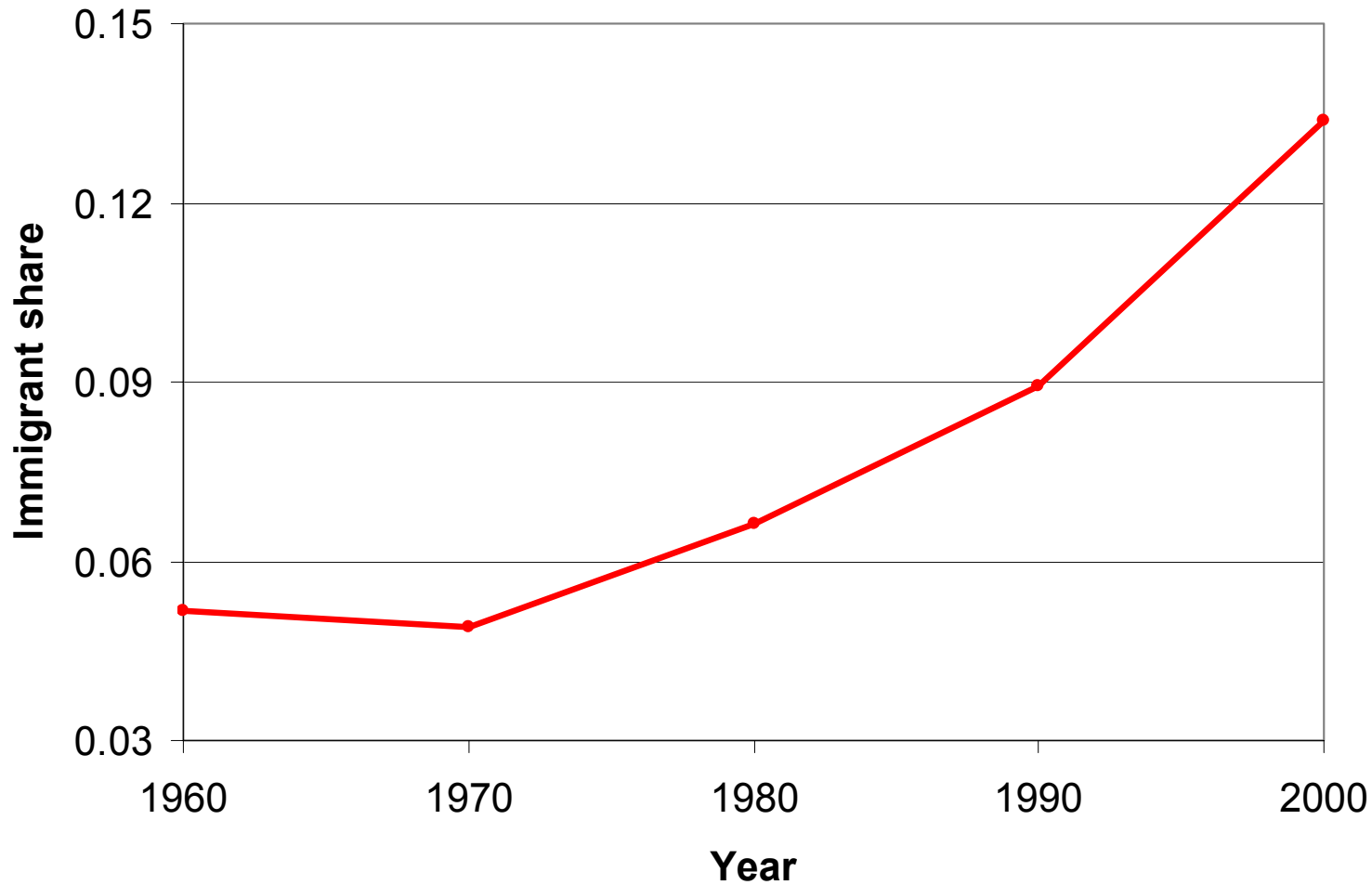


Illegal immigration in US

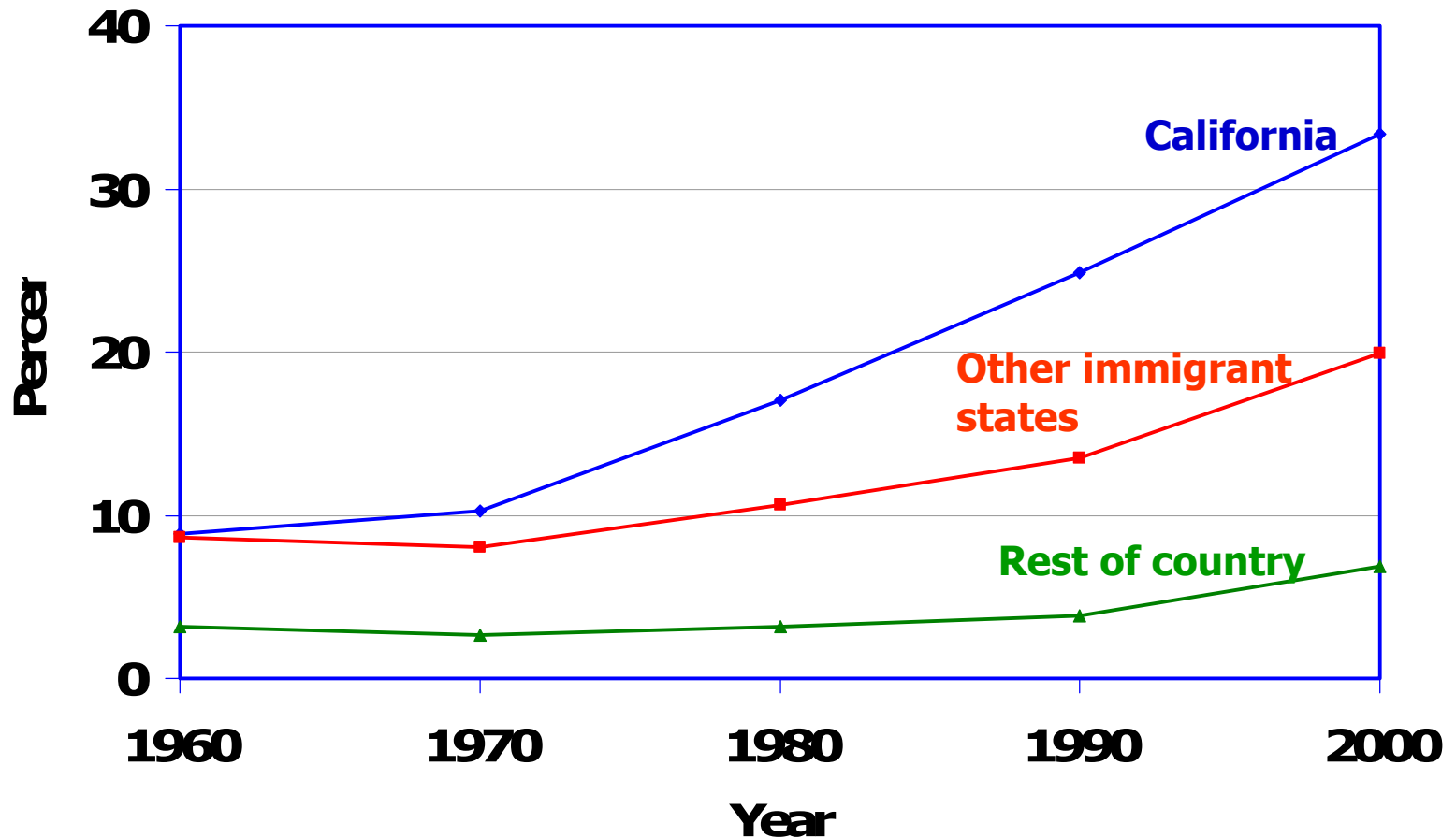
- Jan. 2006: 11.6 million illegal immigrants.
- In Jan. 2005, estimated number was 10.5 million. So annual net flow of over 1 million.
- In Jan. 2000, estimated number was 8.5 million.



Immigrants in US workforce

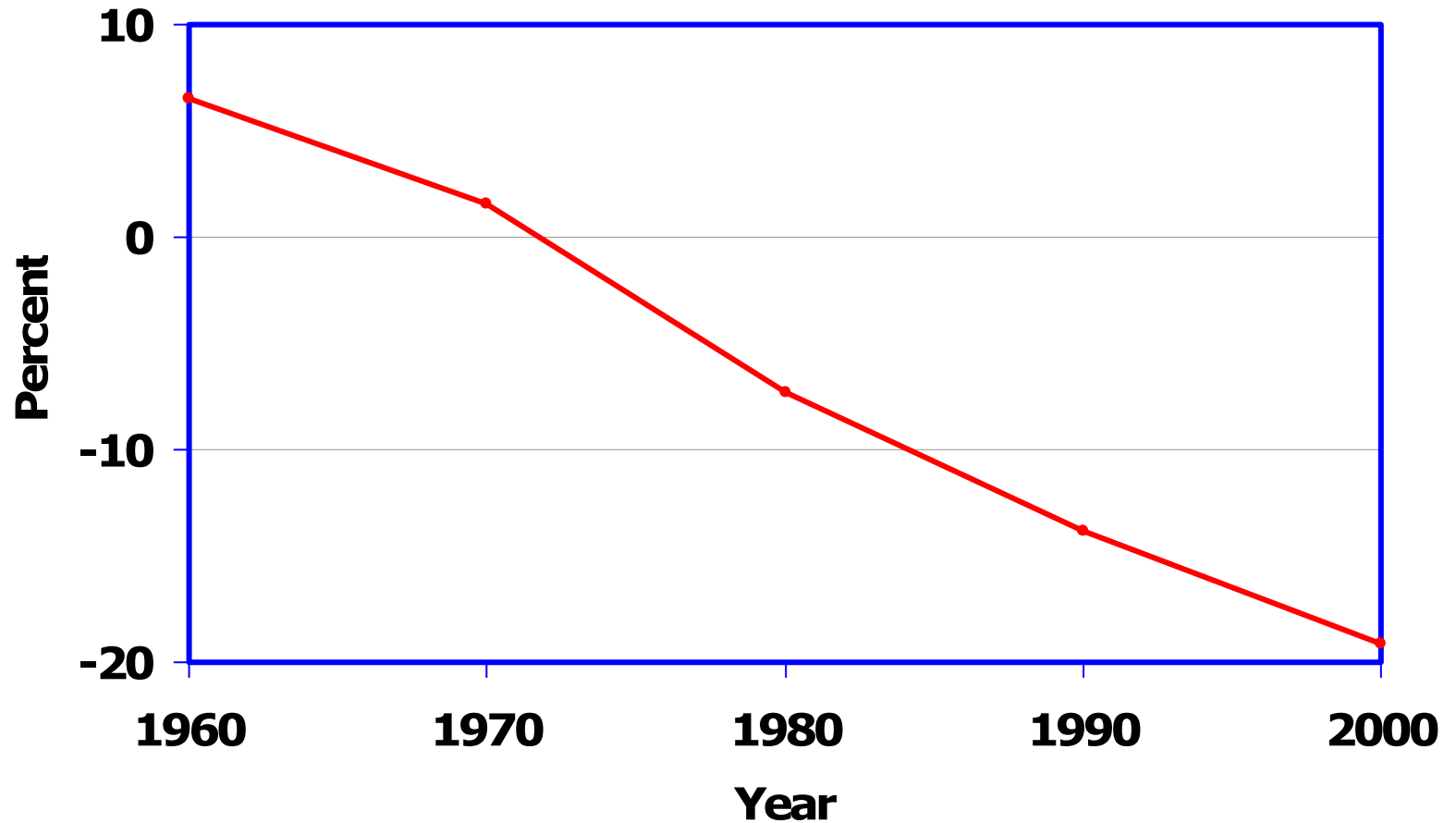


Immigrant share, by region



The “other immigrant states” are New York, Florida, Texas, Illinois, and New Jersey.

Percent wage differential between immigrant and native men





The 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.



Predicted impact of 1980-2000 immigrant influx in US

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



Who gains? Who loses?

- Immigration changes how the economic pie is split. It redistributes wealth from labor to users of immigrant labor:
- “Pre-existing” workers lose approximately 2.8 percent of GDP, or \$280 billion.
- Employers gain approximately 3.0 percent of GDP, or \$300 billion.
- Net gain is about \$20 billion annually, about \$80 per native-born person.
- Distributive conflict is at the core of immigration.



The House of Lords Report

- “Overall GDP...is an irrelevant and misleading criterion for assessing the economic impacts of immigration on the UK. The total size of an economy is not an index of prosperity. **The focus of analysis should rather be on the effects of immigration on income per head of the resident population.** Both theory and the available empirical evidence indicate that these effects are small, especially in the long run when the economy fully adjusts to the increased supply of labour...
- The economic impacts of immigration depend critically on the skills of immigrants. Different types of immigrant can have very different impacts on the economy. The issue is not whether immigration is needed but what level and type of immigration is desirable...



“Public charge” restrictions

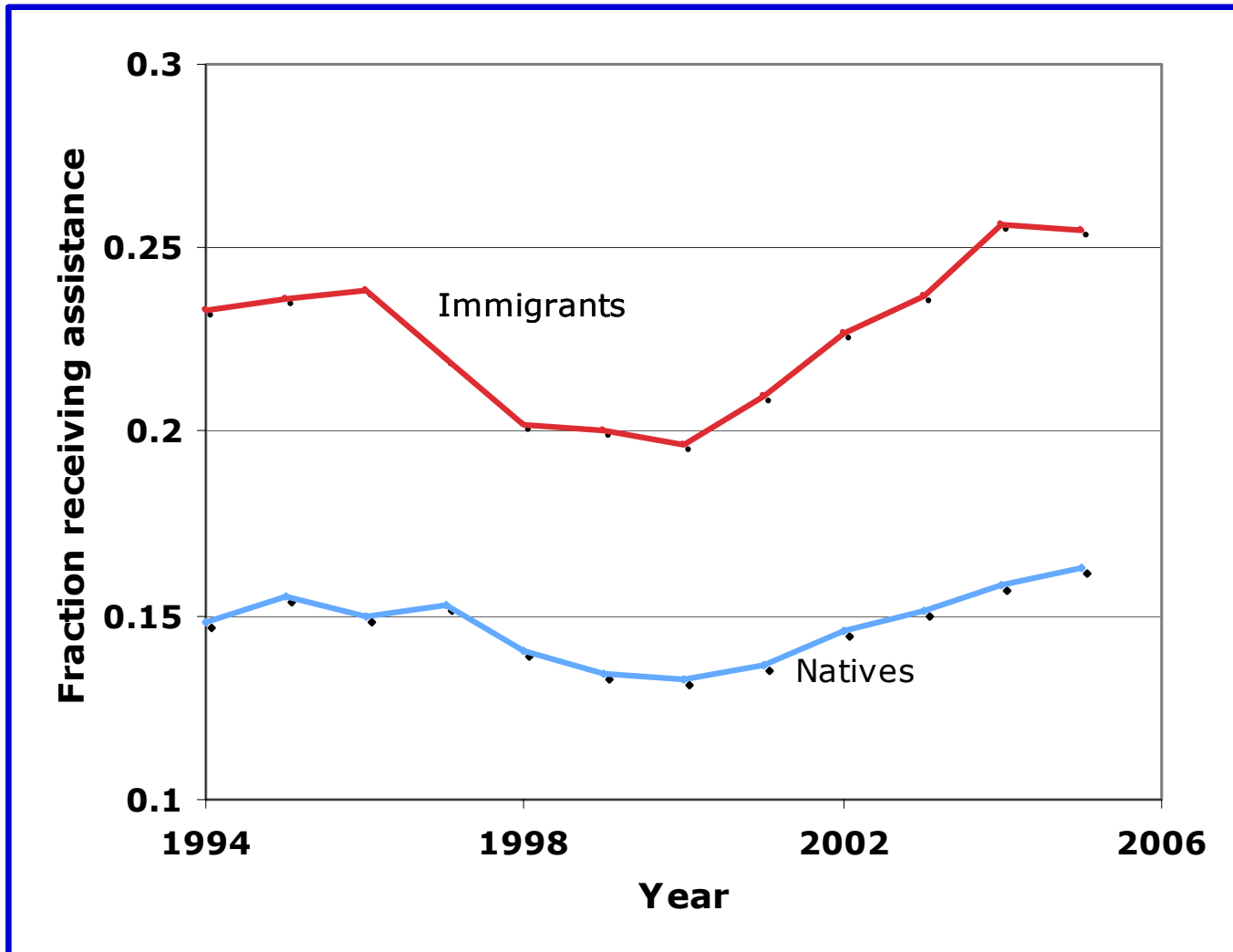
- First restrictions date back to Massachusetts in 1645 and 1655; New York, 1691, sets up a bonding system
- 1876: Supreme Court overthrows state regulations, and gives federal government the sole right to control immigration
- 1882: Congress bans entry of “any persons unable to take care of himself 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.”



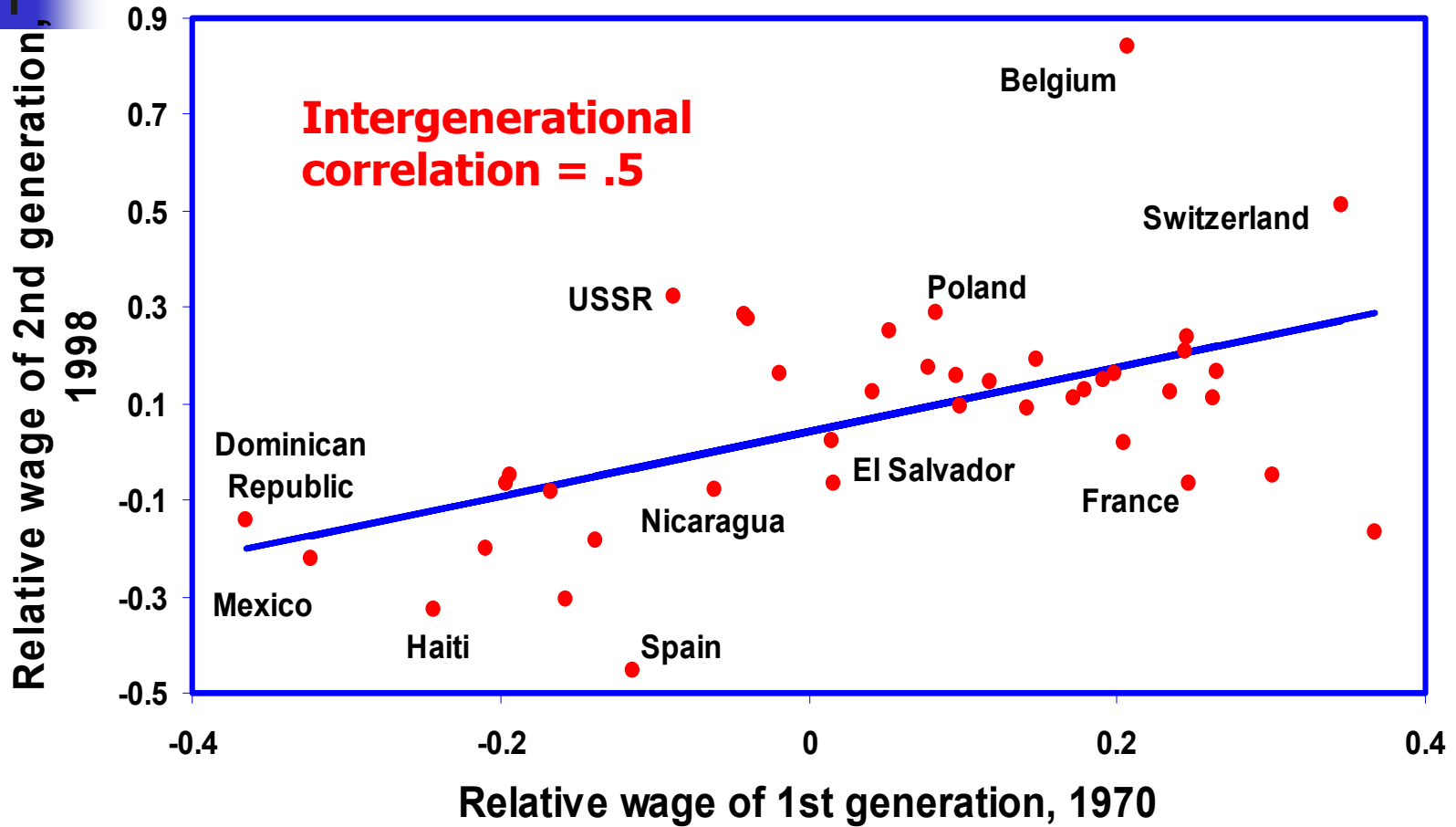
Welfare reform, 1996

- Non-refugees who entered the United States *after* 8/22/96 cannot receive most types of public assistance. The ban is lifted when the immigrant becomes an American citizen.
- Most non-citizens who arrived *before* 8/22/96 were to stop receiving benefits (such as food stamps) within a year. This provision was never fully enforced.
- Post-enactment immigrants are subject to stricter deeming regulations.

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



Social mobility, 1970-1998





Social mobility in the 21st century

- There may be less assimilation in US because:
 - Economic conditions are different
 - Expansion of welfare state
 - Current immigration is *less* diverse
 - De facto moratorium (policy shifts and Great Depression)
 - Two world wars
 - Change in ideological climate
- **Lesson:** US historical experience may not be relevant for other times and other places.



Immigration policy

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



What is immigration policy?

- Immigration policies have two components:
 - How many immigrants should the host country admit?
 - Which immigrants should the host country admit?
- Immigration policy can be thought of as a “point system.” The point system determines the minimum grade required for entry and which persons are favored.
- Decisions “we” need to make before we can choose a policy:
 - What do we want to accomplish from immigration policy?
 - Whose well being do we want to maximize?



Returning to House of Lords report

- **“The focus of analysis should rather be on the effects of immigration on income per head of the resident population.”**
- Research then indicates that the resident population would be “better off” admitting high-skill immigrants.
- Research does not give a simple solution for the question of how many immigrants. Answer depends on importance of distributional impact.