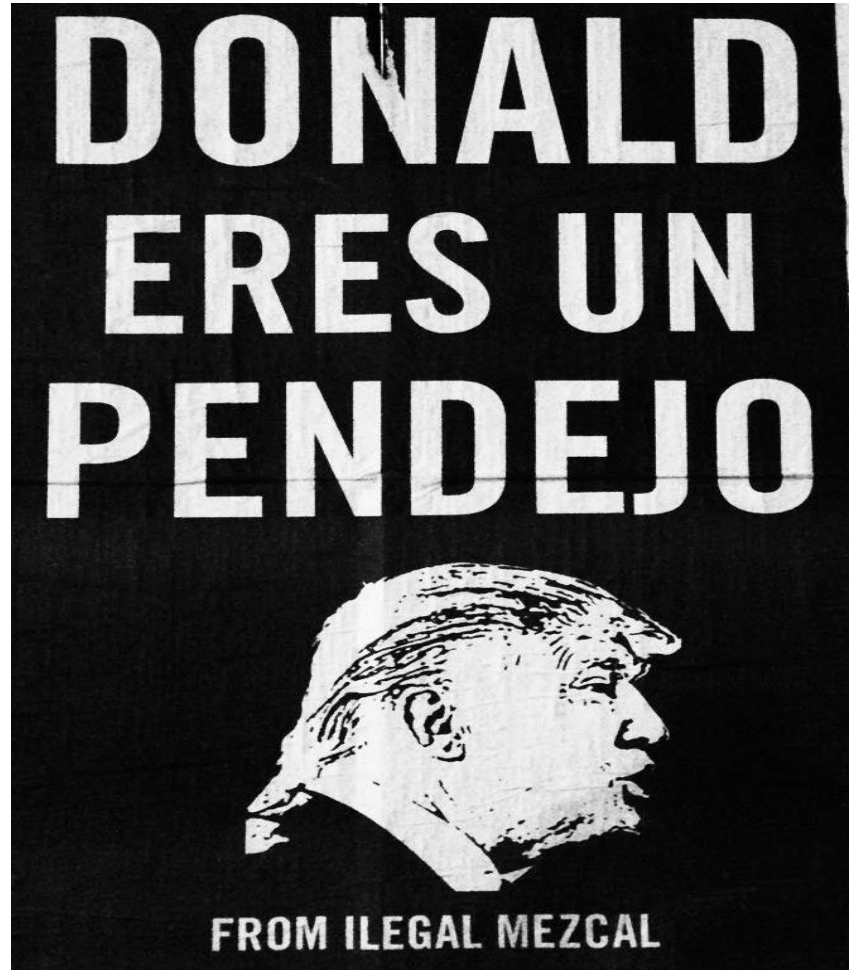


ECONOMIC IMPACT OF US IMMIGRATION: GOOD OR BAD?

An aerial photograph showing a cityscape with a prominent border wall running through it. The wall is a tall, dark structure that separates a developed urban area on the right from a less developed area on the left. On the right side, there is a multi-lane highway with several cars and trucks. The city buildings are densely packed, and there are several billboards visible, including one for 'Genaro' and another with 'S.O.S.' text. On the left side, there is a large green field, possibly a park or sports field, and some industrial or construction areas with dirt and equipment. The overall scene depicts a border region in a densely populated urban area.

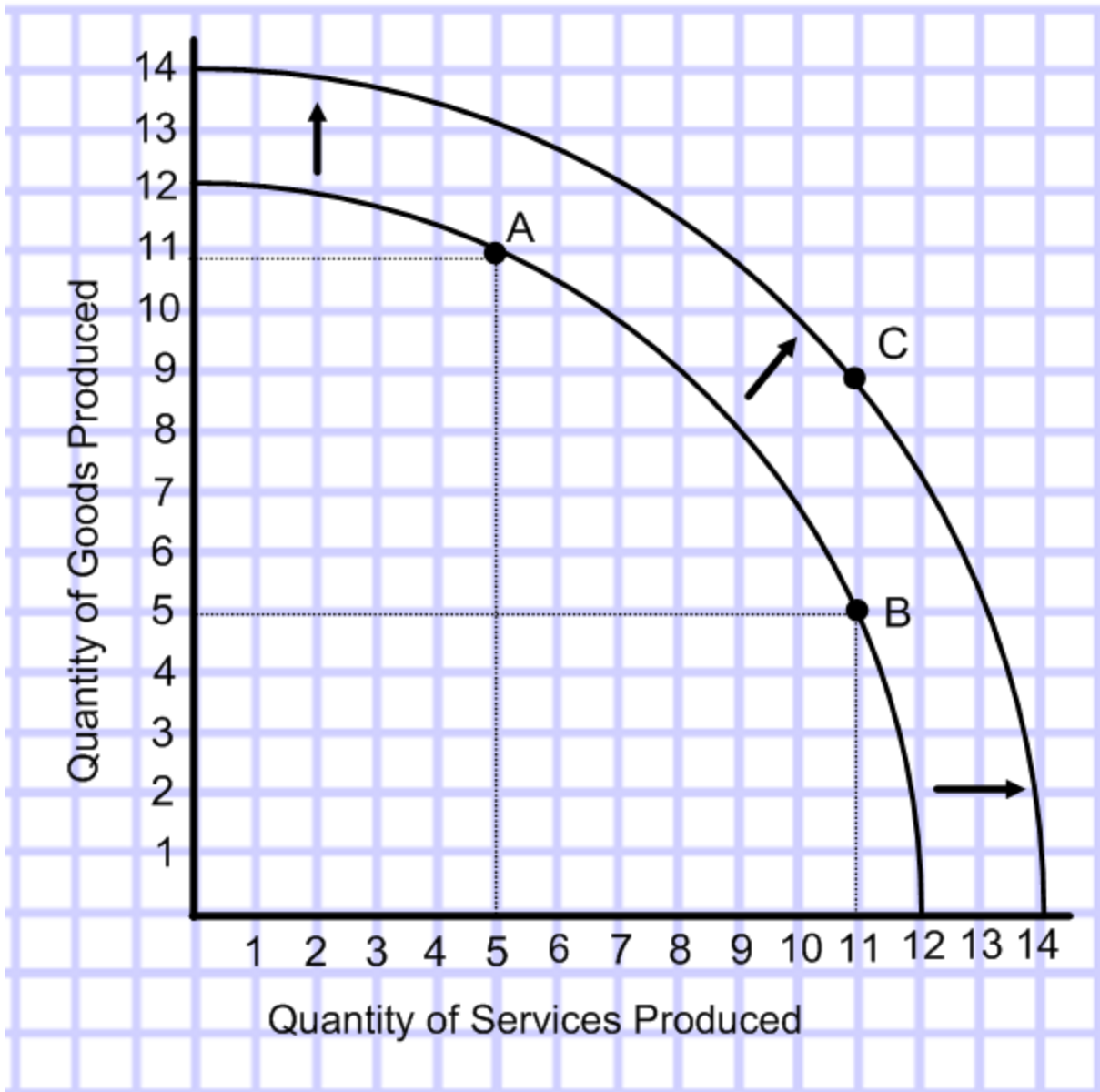
Jonathan Sleeper, Economics





What we already know from Econ 101:

Immigration increases one of the factors of production (Labor), thereby increasing potential GDP growth.



So that's what economic theory
tells us...

Indeed, studies show that the annual net
increase in US GDP is ~11%

($0.11 \times \$17 \text{ trillion} = \1.6 trillion)

This is what immigrants *earn themselves
in wages & benefits.*

(wages & benefits \times # immigrants)

Many other studies find that the *annual economic gains to the native-born population*, including

- the profits of those who hire immigrants,

- the lower prices to consumers of goods & services,

- jobs created or enhanced by immigration

to be 0.1 to 0.5 percent of GDP (one tenth to one half of one percent).

Why is this economic impact so *small*?

Immigrants per Year US

Decade	Average per year
1990–99	977,534
2000–09	1,029,943
2010–13	1,031,712

Source: Census Bureau

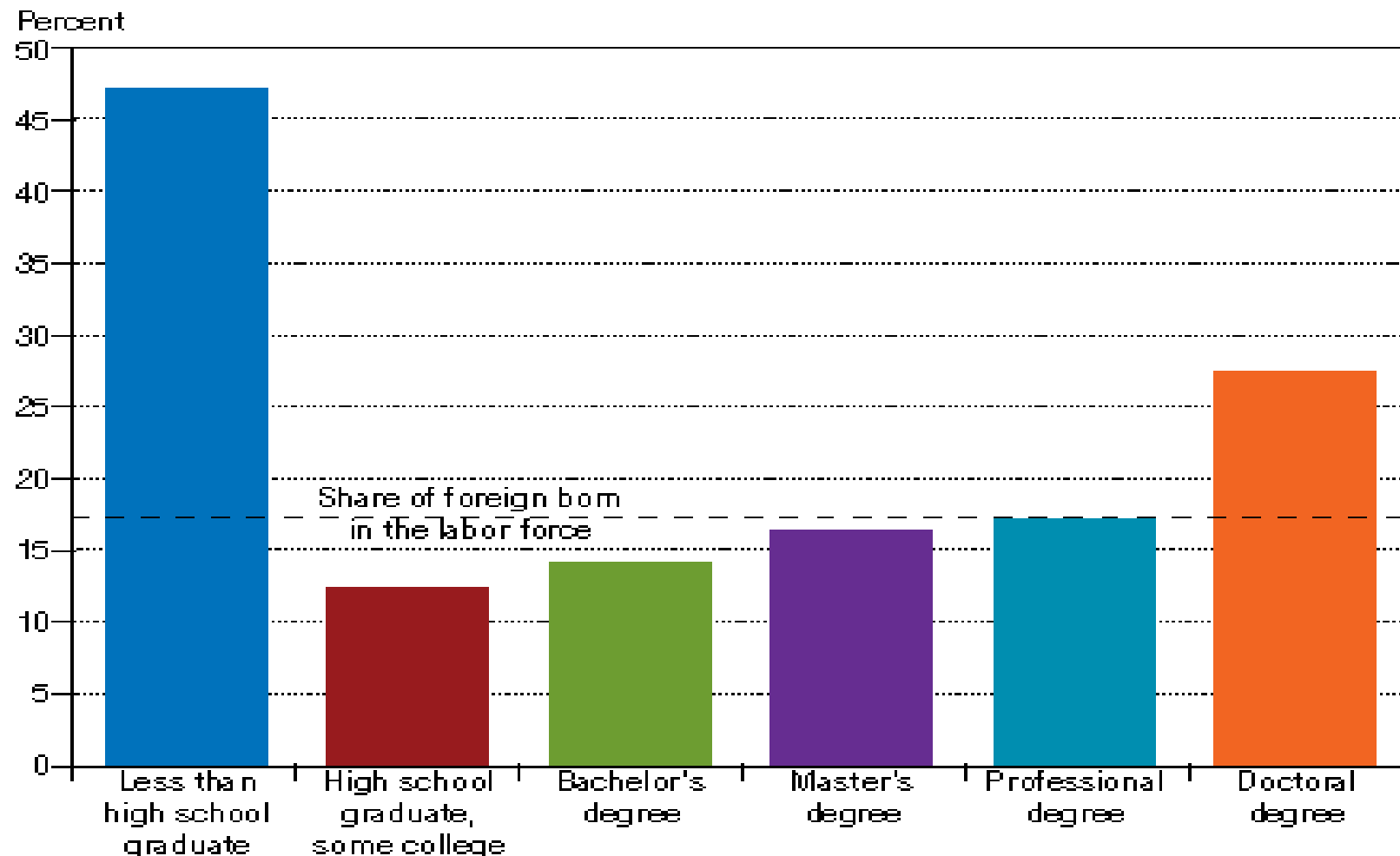
Total immigrants make up about 15% of pop.

Another 500,000/year are illegal (up to 2007).

Over half from Latin America.

Chart 2

Immigrant Workers Overrepresented at Extremes of the Education Distribution



NOTE: Percentage of foreign workers age 25 and over in the U.S. labor force by education.

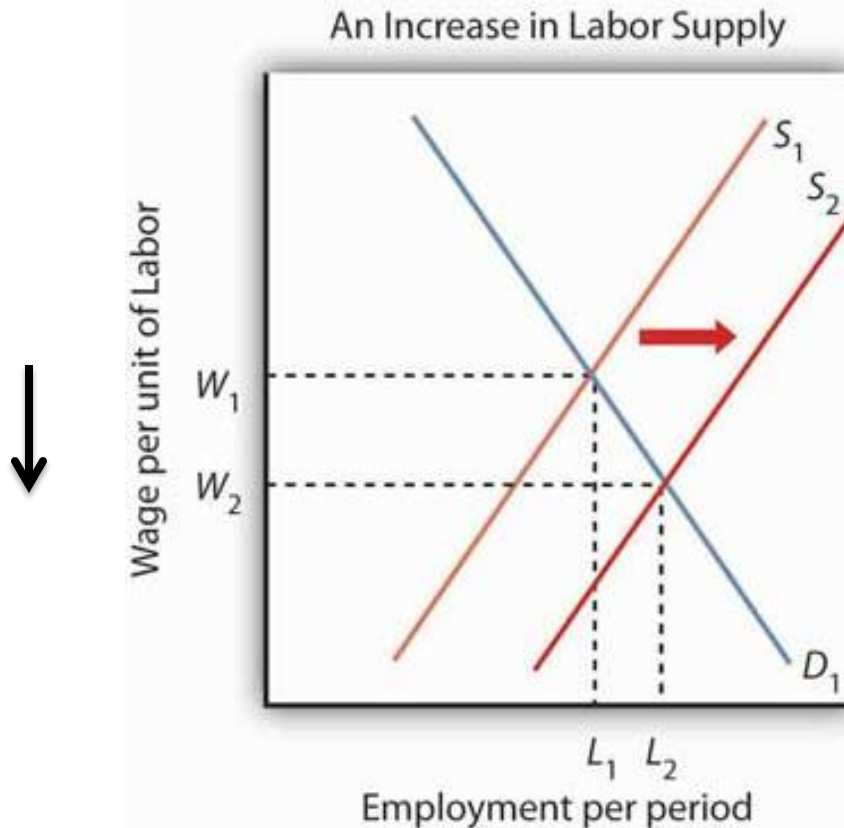
SOURCE: 2009 American Community Survey.

Substitutes and Complements

- Substitutes
 - Chevys & Fords
 - Coke & Pepsi
- Complements
 - Salsa & chips
 - Pancakes & syrup

Substitutes compete

Unskilled, poorly educated immigrants reduce the wages of similar (competing) native-born workers



Immigration Impact on African-Americans

- Over the 1960-2000 period, Borjas found that a 10% increase in the supply of unskilled immigrants was associated with:
 - reduction of wages of blacks by 4.0 percent;
 - reduction of their employment rate by 3.5%;
 - increase in incarceration rate by almost 1%

Substitutes compete

- Also important, unskilled, poorly educated immigrants are a greater *fiscal burden*...
- Specifically, they pay proportionately lower taxes yet receive larger amounts of social services.

Complements strengthen

- Highly-skilled, educated STEM immigrants complement high-skilled native-born workers
- They can have the effect of increasing the demand for skilled educated native-born workers, thereby increasing their wages.
- *STEM = Science, Technology, Engineering & Mathematics*

Complements strengthen

- 45% of medical scientists are immigrants.
- 37% computer programmers are immigrants.
- They receive twice as many patents as native-born
- They founded 25% high-tech startups 1995-2005

Complements strengthen

- A 1% rise in employment of STEM immigrants can increase wages of college-educated natives by 7–8% & non-college-educated natives by 3-4%
- MicroSoft hires 4 additional employees to support one high-skilled worker.

Complements strengthen

- Needless to say, high-skilled immigrants provide net revenue to government, i.e., pay higher taxes, but they use fewer social services...

Policy Conclusion

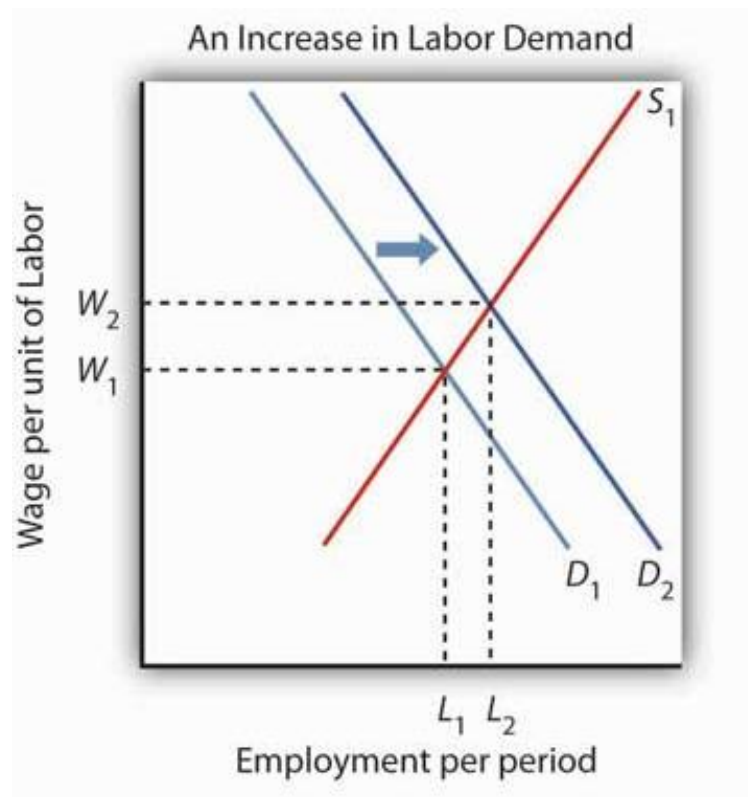
- Immigration has a (slightly) positive economic effect on native-born Americans.
- Immigration would have a much greater positive impact if we (I.N.S.) selected for education & skills.

Policy Conclusion

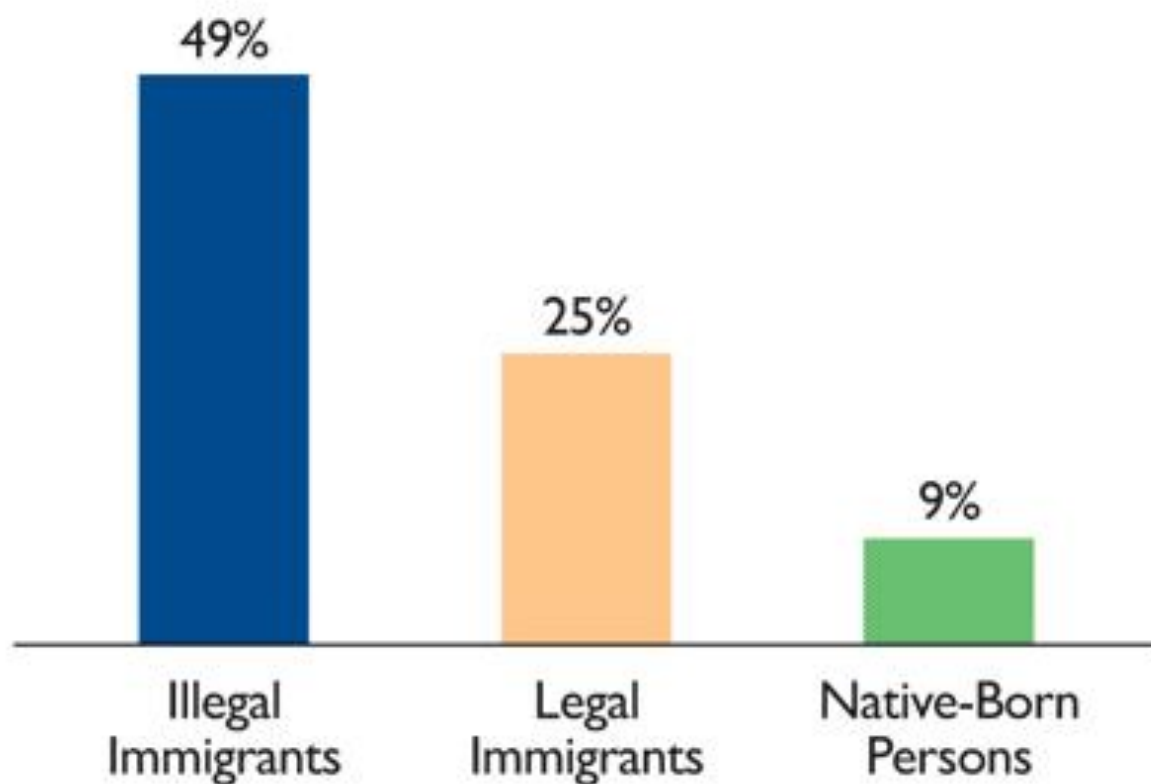
- Specifically, we should decrease the number of low-skilled, poorly-educated immigrants, and increase the number of highly-skilled, STEM immigrants.
- Such a policy may also push up wages for US unskilled workers, by reducing the number of (substitute) immigrant workers.

Complements strengthen

Increased STEM immigrants increase productivity, thereby causing the demand for native workers to shift to the right, raising their wages.

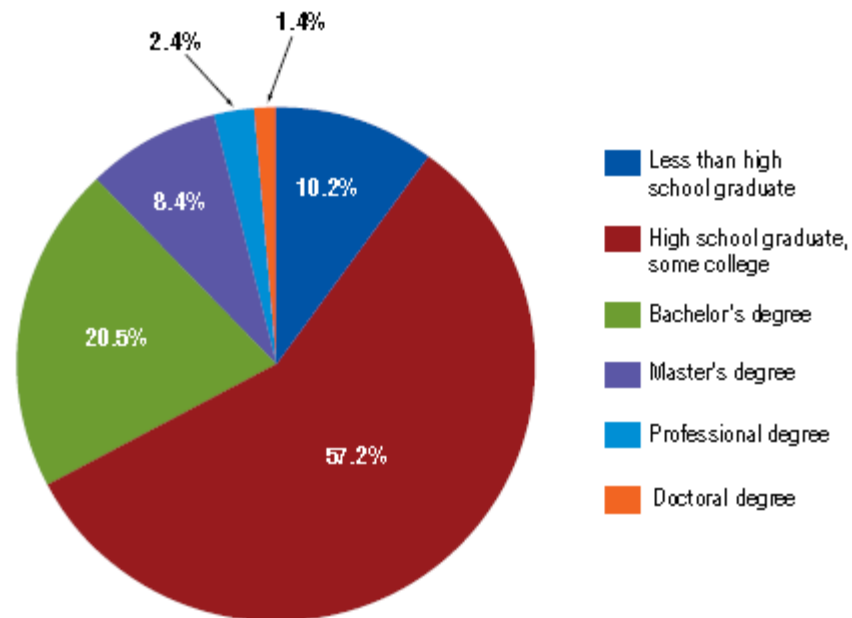


Percent of Adults Who Are High School Dropouts



Source: Pew Hispanic Center.

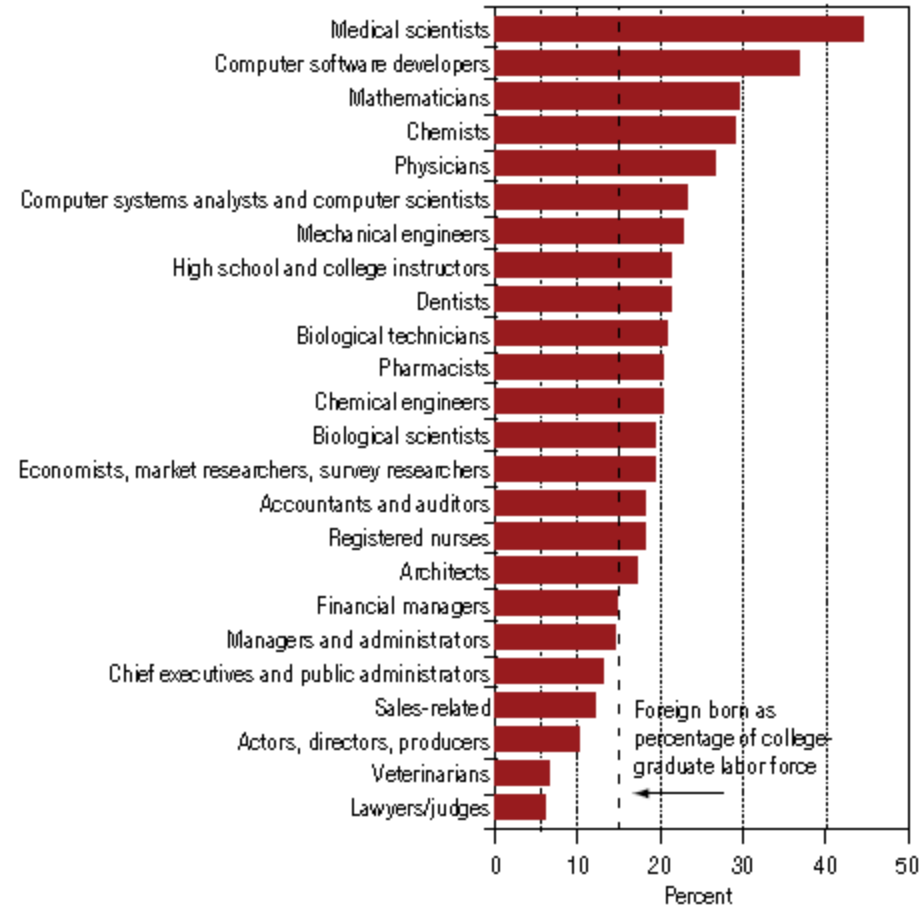
Chart 3
Most Workers Have High School but Not College Degree
(Labor force by education)



NOTE: Percentage of foreign and native workers age 25 and over in the U.S. labor force by education.

SOURCE: 2009 American Community Survey.

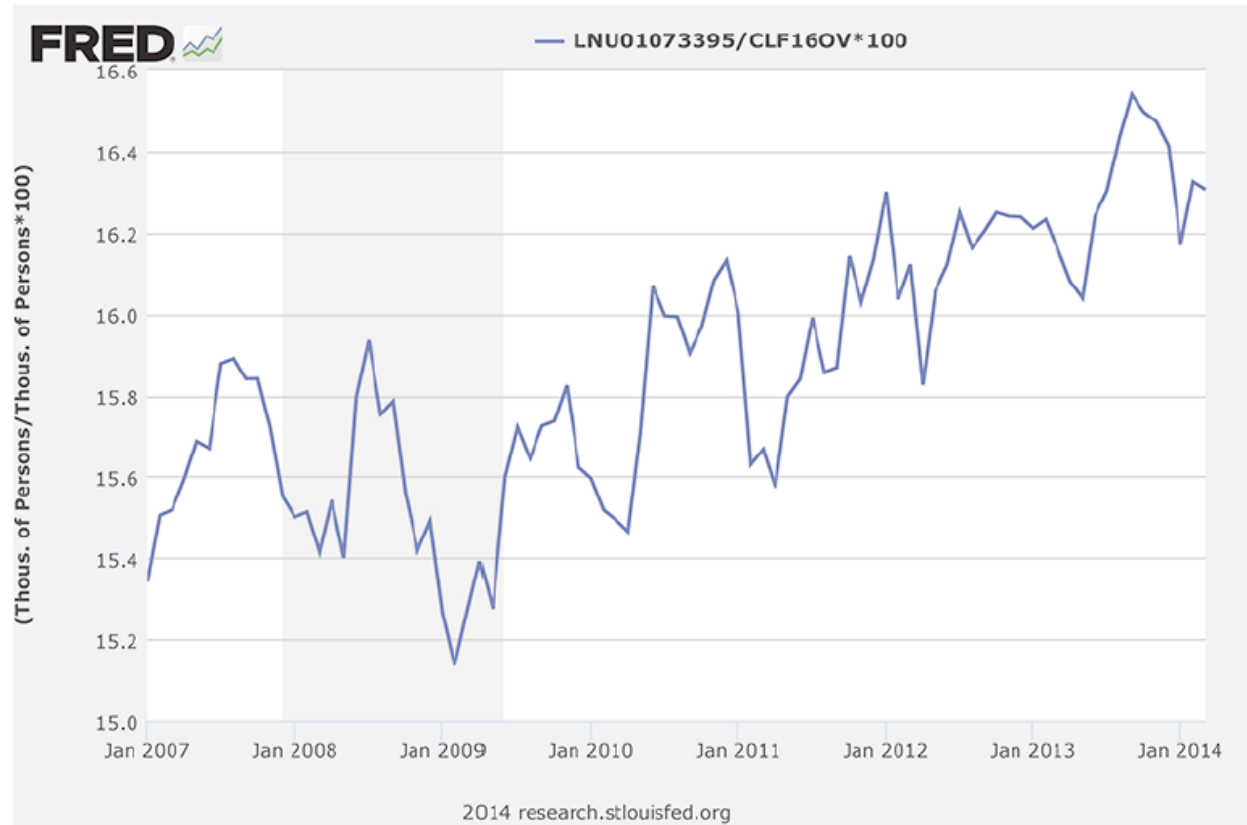
Chart 4 STEM, Health Care Occupations Rely on High-Skilled Foreign Workers



NOTES: Percentage of foreign-born workers age 25 and over with bachelor's degree or higher in selected occupations. STEM stands for science, technology, engineering and mathematics.

SOURCE: 2009 American Community Survey.

Percentage of U.S. Labor Force That Is Foreign Born



NOTE: The share of the labor force that is foreign born has increased over time. Although the share dropped during the most recent recession (15.1 percent in February 2009), the share had increased to 16.3 percent as of March 2014. The gray bar indicates the 2007-09 recession as determined by the National Bureau of Economic Research.

SOURCE: FRED (<http://research.stlouisfed.org/fred2/graph/?g=wrF>).

Decade	Average per year
1960–69	321,375
1970–79	424,820
1980–89	624,438
1990–99	977,534
2000–09	1,029,943
2010–13	1,031,712

Year		Year		Year		Year		Year	
1950	249,187	1970	373,326	1990	1,535,872	2006	1,266,129	2010	1,042,055
1955	237,790	1975	385,378	1995	720,177	2007	1,052,415	2011	1,062,000
1960	265,398	1980	524,295	2000	841,002	2008	1,107,126	2012	1,031,001
1965	296,697	1985	568,149	2005	1,122,257	2009	1,130,818	2013	990,555

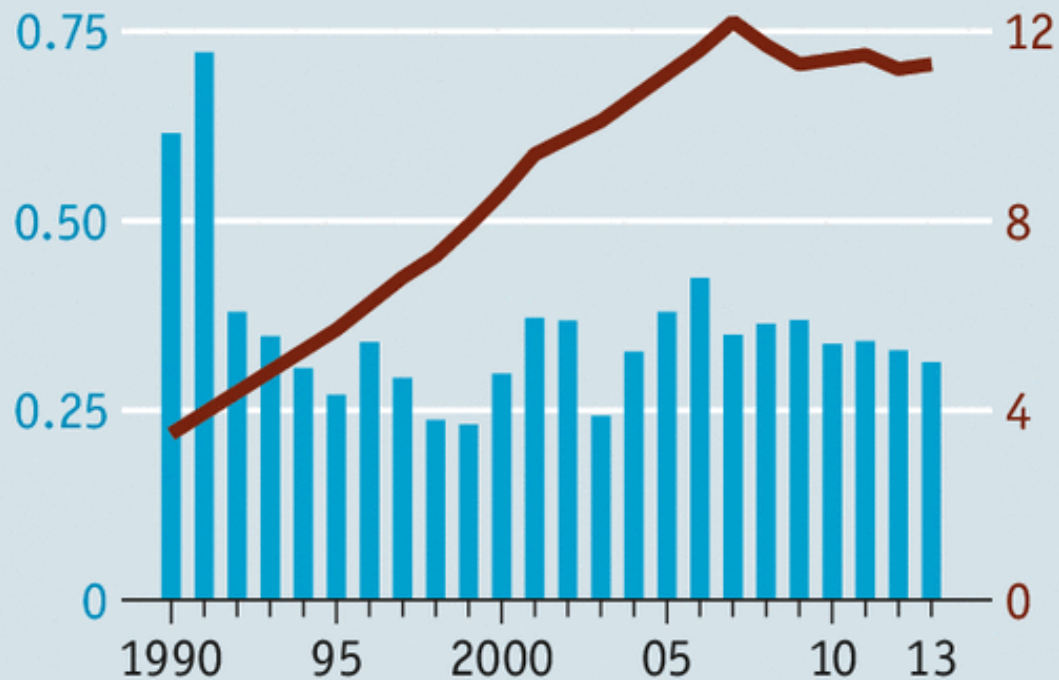
Edging downwards

*Authorised
immigration*

As a % of total population

*Unauthorised
immigrants*

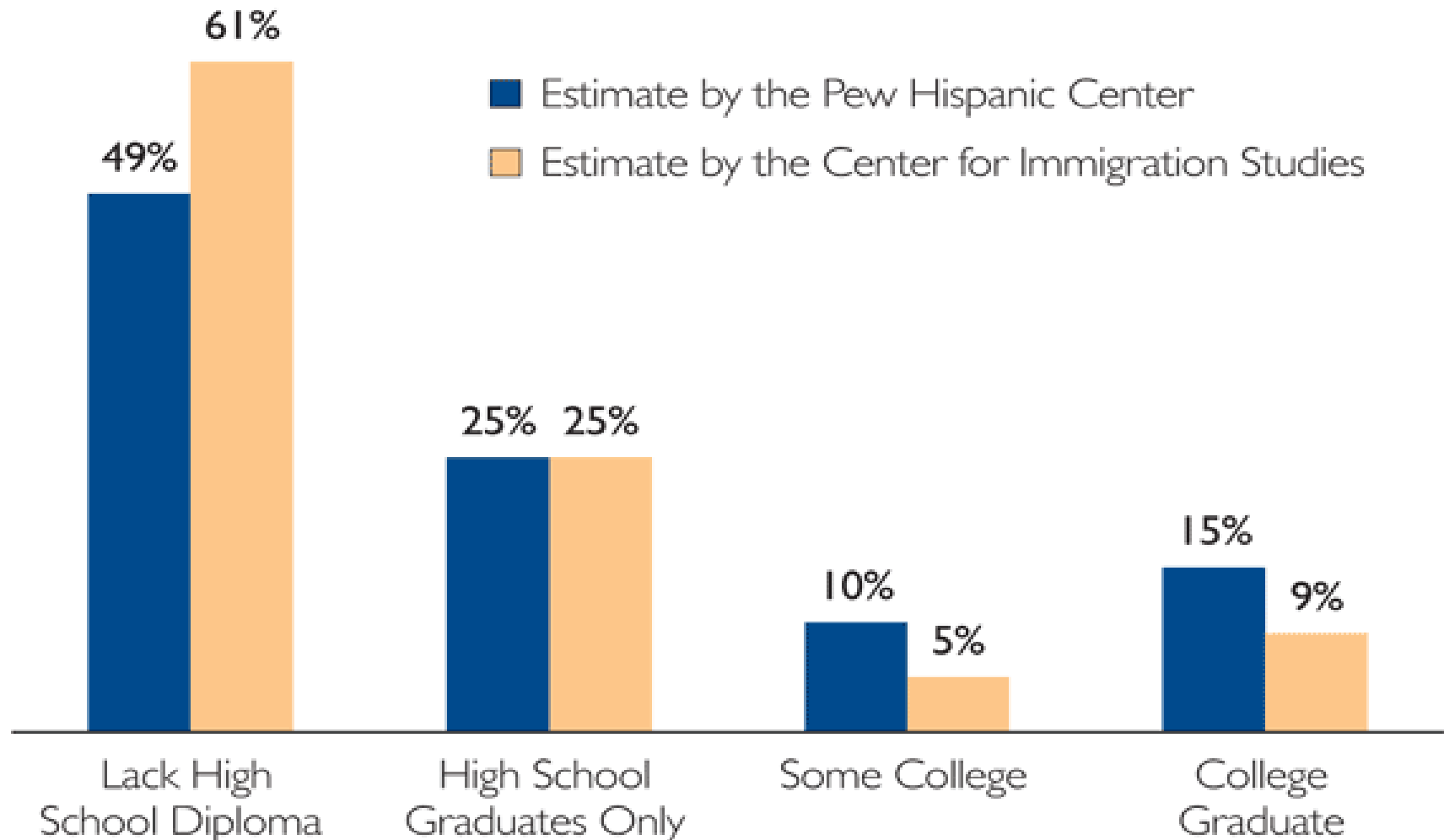
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Sources: Department of Homeland Security; Pew Research Centre

*People obtaining permanent resident status

Education Level of Current Adult Illegal Immigrants



Sources: See Text

Source: Heritage Foundation, 2007

Substitutes compete

Unskilled, poorly educated immigrants reduce the wages of similar (competing) native-born workers

